



Letter of the President of the Management Board



Dear Stakeholders

Year 2020 will surely be remembered by everyone as the year of COVID-19 pandemic. We faced many problems, which not only presented a great challenge to us but also raised very serious worries about the safety and life of people, the availability of jobs, and further operation of companies.



Although Grupa Kęty operated with full capacity in 2020, it was not free of the pandemic. We recorded nearly 300 confirmed cases of infection among the employees of the Capital Group, we faced the quarantine of employees and periodical absences. At the same time, we strived despite many obstacles to continue production and deliveries. Our major objective in that time was to protect the employees and provide them with maximum safety. Therefore, within our internal procedures we implemented actions to provide the employees with hands disinfectants, sanitization of workplaces, common office parts and production halls, as well as division of organisational units into safety zones in order limit contacts among the employees to the absolute minimum. We also implemented remote work solutions as far as possible.

Thanks to the great engagement and devotion of our employees we managed to cope with the challenges, fulfilling our monthly plans and budget assumptions step by step. I would like to express my gratitude to all employees for their efforts and express my greatest respect.

Our small contribution in the fight of the pandemic was the donation of PLN 660,000 as an aid to the hospitals and medical units in our region, as well as a number of actions to support the health service staff in their devoted work.

Despite many threats and hindrances, 2020 was for us a record year with regard to profit. Sales amounted to PLN 3.533 billion (growth by 10%), EBITDA amounted to approximately PLN 672.4 million (growth by 29%), and net profit reached about PLN 430.2 million (growth by 45%). Why did it happen? From the perspective of time, it may be stated that it all resulted from the actions we had implemented in the recent years to strengthen and improve our organisation, which has learned to react to the varying market circumstances and has become a group of companies effectively and efficiently operating in Poland and abroad. Thanks to that characteristic we were able to avail of the opportunities occurring on the market, particularly in the Flexible Packaging Segment, where due to the limitation of product imports from other continents to Europe, we managed to effectively improve our sales and the margins generated. We have estimated that one-off effect of the lockdown in the Flexible Packaging Segment amounted to PLN 66 million as regards sales revenue, PLN 60 million for EBITDA and EBIT, and PLN 51 million for net profit, which has significantly affected the generated financial results of the Segment and the Capital Group.

<div>+10%</div> <div>PLN 3,5 billion</div> <div>Sales revenue</div>	<div>+29%</div> <div>PLN 672,4 billion</div> <div>EBITDA</div>	<div>+45%</div> <div>PLN 430 billion</div> <div>Net profit</div>
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The other two segments have also availed of their business opportunities. Aluprof, representing the Aluminium Systems Segment, improved its position as a European supplier of high quality aluminium systems for construction and is one of the leaders in the sector of aluminium systems in Europe. Aluprof is now a European brand known in 55 countries of the world, where the company supplies modern aluminium window-and-door systems, façade systems as well as roller shutters and gates. In 2020, Aluprof improved its sales revenue to PLN 1.6 billion (growth by 10%), including PLN 626 million from exports (growth by 14%).

Very good results were also recorded by the Extruded Products Segment, holding a strong position in the European aluminium processing sector. The Segment reached nearly PLN 1.3 billion sales (growth by 2%), including PLN 616 million from foreign sales (growth by 7%). The Segment has 13 engineering lines for manufacturing extruded products, including billet production as well as profiles machining and surface treatment plants. The offered services comprise: anodising, coating, welding and complete fabrication of extruded products. Such production capacity enables the supply of various branches of industry with aluminium profiles and components, and these include the most progressive ones, such as construction, automotive, transport, railway, electrical engineering, defence, household equipment, advertising, and tourism industries.

Throughout the time of pandemic we had worked intensively on the Strategy 2021–2025, which we announced on 16 December 2020. The Strategy is based on strong foundations originating from the effective performance of the previous strategic plans, and specifically those of 2015–2020. All assumptions of the previous Strategy have been 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, therefore, offer high quality products practically all around the world.

In the new Strategy 2025, Grupa Kęty focuses on organic development, and expects sales and profit growths exceeding the assumed development rate of markets in each of the segments. We have estimated that sales revenue shall grow compared to 2020* by PLN 1.2 billion and will reach PLN 4.6 billion in 2025. 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 2020* EBITDA shall grow by 32%, to PLN 787 million, and net profit by 28%, to PLN 470 million in 2025 (**the growth rates refer to the adjusted results of the year, due to the reasons described in Chapter 4. 'Annual Projections and Development Strategy' of the Management Board Report*).

Within the assumed Strategy, we have made a decision on monitoring the market environment of the Flexible Packaging Segment, which may lead to updating the strategy for the segment 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.

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. In 2020 we paid out a record dividend to our shareholders, amounting to PLN 34.99 per share. In the current Strategy, we have assumed the average annual pay-out at the level of 85% of consolidated net profit generated in the preceding years, which means that in the years 2021–2025, the amount of about PLN 1.7 billion will be paid out as dividend.

Dear Stakeholders,

The modern world poses great challenges with regard to environmental protection, natural resources or impact on the climate. The challenges refer to all, however, the broadly understood business or production companies have a measurable influence on the issues. In 2020, when preparing the Strategy, for the first time ever we had parametrised and presented the commitment in the ESG area (Environmental, Social and Corporate Governance) in the form of sustainable development goals, which comprises the impact on the environment, safety and development of the Company employees, responsibility within the supply chain and engagement in local communities among the key elements of the Strategy performance.

In 2020, the Company prepared itself to report financial statements in the ESEF standard, which improves comparability and utility of financial information. The use of the iXBRL standard shall facilitate the use the information disclosed by the Company by the investors and analysts, which will further translate into improving the transparency of the EU capital markets.

Finally, I would like to refer to the current situation. Despite the lapse of time, we have still been operating in the COVID-19 pandemic conditions and suffering the risks related to new virus strains. Every day, the Management Board concentrates on ensuring the performance of strategic goals, bearing in mind the maximum protection of our employees. We believe that the Capital Group shall follow the path of dynamic

development set out by the Strategy.

A handwritten signature in black ink, appearing to read 'D. Mańko', with a large loop at the start and several strokes extending to the right.

Yours faithfully
Dariusz Mańko
President of the Management Board