1. The Legal Status and Organisation of the Grupa KĘTY S.A. Capital Group's Members

1.1. Basic data

Data relating to share or nominal capital as of 30 June, 2005

1/ Parent company

Name:	**Grupa KĘTY Spółka Akcyjna**
Subject of operation:	- aluminium production – (No. 27.42 Z according to the Polish Classification of Economic Activities) - Other printing activity not elsewhere classified – (No. 22.22 Z according to the Polish Classification of Economic Activities)
Company's legal status:	a joint-stock company
Registration body:	District Court for Central Cracow, 12th Economic Division of the National Court Register
Number in the National Court Register (KRS):	0000121845
Address:	ul. Tadeusza Kościuszki 111, 32 - 650 Kęty
Tel/Fax:	Tel: (033) 844 60 00 Fax: (033) 845 30 93, (033) 845 30 94
Company's statistical number (REGON):	070614970
Share capital:	PLN 23,064.157.5

2/ Subsidiary

Name:	**Zakłady Elementów Wyposażenia Budownictwa Metalplast-Bielsko S.A.**
Subject of operation:	Manufacture of building joinery articles (No 2812 according to the Statistical Classification of Economic Activities in the European Community) – EKD 28.12
Company's legal status:	a joint-stock company
Registration body:	District Court in Bielsko-Biała, 8th Economic Division of the National Court Register
Number in the National Court Register (KRS):	0000106225
Address:	ul. Warszawska 153, 43-300 Bielsko-Biała
Tel/Fax:	Tel: (033) 815 70 81 Fax: (033) 822 05 12
Company's statistical number (REGON):	070424429
Share capital:	PLN 3,361,450

3/ Subsidiary

Name:	**Alupol Sp. z o.o.**
Subject of operation:	Manufacture of plastic packaging materials (No 25.22 according to the Statistical Classification of Economic Activities in the European Community), manufacture of aluminium and aluminium products (No 27.42 according to the Statistical Classification of Economic Activities in the

European Community), production of plastic boards, sheets, pipes and profiles (No 25.21 according to the Statistical Classification of Economic Activities in the European Community).

Company's legal status: a limited liability company
Registration body: District Court in Katowice, 8th Economic Division of the National Court Register
Number in the National Court Register (KRS): 0000016674
Address: ul. Strefowa 4, 43-109 Tychy
Tel/Fax: Tel: (032) 324 57 00 Fax: (032) 329 11 55
Company's statistical number (REGON): 273884817
Share capital: PLN 105,124,500

4/ Subsidiary

Name: **Alutech Sp. z o.o.**
Subject of operation: Activity relating to operational maintenance, design, maintenance, investment, manufacture and overhaul of technical instrumentation and packaging materials.
Company's legal status: a limited liability company
Registration body: District Court for Central Cracow, 12th Economic Division of the National Court Register
Number in the National Court Register (KRS): 0000027494
Address: ul. Tadeusza Kościuszki 111, 32 - 650 Kęty
Tel/Fax: Tel: (033) 844 60 00 Fax: (033) 845 24 42
Company's statistical number (REGON): 357010602
Share capital: PLN 2,817,000

5/ Subsidiary

Name: **DEKRET Centrum Rachunkowe Sp. z o.o.**
Subject of operation: Accounting and booking services (No 74.12.Z according to the Polish Classification of Economic Activities), business and management counselling (No 74.14.Z according to the Polish Classification of Economic Activities)
Company's legal status: a limited liability company
Registration body: District Court for Central Cracow, 12th Economic Division of the National Court Register
Number in the National Court Register (KRS): 0000073178
Address: ul. Tadeusza Kościuszki 111, 32 - 650 Kęty
Tel/Fax: Tel: (033) 844 69 40 Fax: (033) 844 69 37
Company's statistical number (REGON): 357073241
Share capital: PLN 240,000

6/ Subsidiary

Name: **Aluform Sp. z o.o.**
Subject of operation: none
Company's legal status: a limited liability company

Registration body: District Court for Central Cracow, 12th Economic Division of the National Court Register
Number in the National Court Register (KRS): 0000038984
Address: ul. Tadeusza Kościuszki 111, 32 - 650 Kęty
Tel/Fax: Tel: (033) 844 60 00 Fax: (033) 845 30 93
Company's statistical number (REGON): 357160230
Share capital: PLN 50,000

7/ Subsidiary
Name: **Alupol LLC Sp. z o.o.**
Subject of operation: production of aluminium profiles
Company's legal status: a limited liability company
Registration body: Kiev Region State Administration for Borodianka District
Register number: 33283810
Address: Borodianka, Bulwar Lenina 28, 07-800 Kiev Region, Ukraine
Tel/Fax: Tel: ++ 380 503 305 594
Share capital: USD 1,050,000

8/ Subsidiary
Name: **RUN-PAK sp. z o.o.**
Subject of operation: - Other printing activity not elsewhere classified – (No. 22.22 Z according to the Polish Classification of Economic Activities)
Company's legal status: a limited liability company
Registration body: District Court in Toruń, 12th Economic Division of the National Court Register
Number in the National Court Register (KRS): 0000229672
Address: ul. Stawki Południowe 37, 87-100 Toruń
Tel/Fax: Tel: (056) 654 86 87
Company's statistical number (REGON): 340011457
Share capital: PLN 8,000,000

1.2. Introductory information on the parent company

Grupa KĘTY S.A. started to operate in 1953, known at that time as Zakłady Metali Lekkich „KĘTY"; the name changed into the current one by the end of 2000.
The company has the legal status of a joint stock company, and its shares were publicly quoted for the first time on the Warsaw Stock Exchange on October 13, 1995 by the Polish Securities and Exchange Commission. On December 11, 1995 the Minister of Privatization signed the contract of disposal for a substantial lot of „A" series shares of the Company. On January 30, 1996 shares of the company ZML „KĘTY" S.A. were quoted for the first time non the Warsaw Stock Exchange . From the organization point of view and in the aspect of business activity in different market areas, as of the end of the 1st half of 2005 the company consisted of two market-wise and technologically distinctive segments:
Extruded Products Segment – production and distribution of extruded and drawn products made of aluminium and aluminium alloys,

Flexible Packaging Segment – production and distribution of metallic aluminium foil and flexible packaging made of paper, aluminium foil, plastic materials – plain and with the rotogravure and flexo printing.

According to the evaluation of the Management Board Grupa KĘTY S.A. is the Polish market leader in extruded products and flexible packaging.
The strategic goals adopted by Grupa KĘTY S.A. include maintaining the leading position in these business areas as well as the expansion to reach new customers both in the domestic and foreign markets.
To be able to ensure the interests of the three main groups served by the Company, i.e. The customers, shareholders and employees, the Management Board of Grupa KĘTY S.A. has developed the Company Mission, which assumes the following:

- providing the Customers with top quality products and services,
- maximising the value for the shareholders,
- fulfiling the aspirations of the employees by means of offering interesting, ambitious and well paid jobs.

1.3. Changes in the management rules of the Capital Group

In the 1st half of 2005 and after the balance date the following substantial changes were introduced in Grupa KĘTY S.A. with regard to the principal rules of the Company management.

- On April 19, 2005 President of the Management Board of Grupa KĘTY S.A,. Jan Bronisław Kryjak, presented his resignation from the function to Chairman of the Supervisory Board. President Kryjak decided that his mission of managing the company ended upon approving the 5-year strategy of the Company and announcing the financial results of Grupa KĘTY S.A. for the year 2004.
- On June 16, 2005 pursuant to § 27 of the Regulaminu Giełdy, the Management Board of Grupa KĘTY S.A. made a statement on the observance of the Corporate Governance rules within the Company.
- On July 4, 2005 Spółka published uniform text of the Company Articles, taking into consideration the Corporate Governance rules .
- The Supervisory Board, on the meeting of August 3, 2005 appointed Dariusz Mańko, the existing member of the Management Board, for the position of President of the Management Board of Grupa KĘTY S.A.

As of June 30, 2005 all the subsidiaries belonging to the Capital Group Grupa KĘTY S.A. were consolidated, regardless their level of dependance.

1.4. Capital expenditure made in the Capital Group Grupa KĘTY S.A. in the 1st half of 2005

In the 1st half of 2005 Grupa KĘTY S.A. made the following capital expenditure:

- On January 3, 2005 the Company was notified about the registration of Alupol Sp. z o.o. by the state registration body in Borodianka (Kiev region) in Ukraine, a subsidiary owned in 100% by Grupa KĘTY SA. The share capital of the company amounts to USD 50 thousand. The main profile of operation of Alupol shall be production of aluminium profiles.

- On January 31, 2005 the Company received from its subsidiary, Metalplast-Bielsko S.A., the decision of the State Registration Body in Ukraine concerning signing off the company Alukpol-Ukraine. Within the restructuring program of foreign assets aimed at limiting the company operation costs in the East, on December 5, 2002 Grupa KĘTY S.A. disposed to Metalplast-Bielsko S.A. 99.3% of the share capital of Alukpol Ukraine. The operation of this company was than reshuffled to Metalplast-Ukraine, a subsidiary owned in 100% by Metalplast-Bielsko S.A.
- On 18.02.2005 the Company was notified by its subsidiary, Metalplast-Bielsko S.A., about the registration of February 10, 2005 Metalplast Deutschland GmbH in Duesseldorf on February 10, 2005, with the share capital of EUR 25 thousand. The main profile of activity of this subsidiary, 100% dependant on Metalplast-Bielsko S.A., shall focus on selling aluminium systems in the territory of Germany. The foundation of another foreign company (Metalplast Zalur – Hungary and Metalplast Ukraine were founded) follows the strategy of Grupa KĘTY S.A. aiming at significant increase of the exports value and making Metalplast-Bielsko S.A. the leading distributor of aluminium systems in this part of Europe. Poland's accession to the European Union resulted in increased trust of Western companies to Polish companies, leading to more motivation for cooperation. This in turn has been reflected in higher sales possibilities of aluminium systems in Western European markets. The offer of Metalplast-Bielsko S.A. that used to export their systems mainly to Russia, Ukraine, Hungary and the Czech Republic, was interesting enough to result in contracts signed in 2004 for construction projects of offices and residential housing applying systems of Metalplast-Bielsko S.A., e.g. in Berlin, Dusseldorf and Koln. The overall value of these contracts amounted to ca. EUR 400 thousand. The obtaining of German orders was facilitated by the certificates granted by the IFT Institute from Rosenheim, confirming the high quality and classes of the products made by Metalplast-Bielsko S.A., conforming to the European specification standards. The sales value of Metalplast Deutschland planned for 2005 shall amount to ca. EUR 1 million.
- On March 2, 2005 the Company received the decision of the District Court in Toruń, the 7th Commercial Division of the National Court Register, concerning the registration of the company RUN-PAK Sp. z o.o. The share capital of this subsidiary, 100% dependant on Grupa KĘTY S.A., amounts to PLN 50 thousand, and consists of 1,000 shares, PLN 50 each. The profile of activity of this company shall include production of flexible packaging with Flexo printing.
- On 10.03.2005 the Company increased the share capital of its subsidiary, RUN-PAK Sp. z o.o. from Toruń, by means of issuing 19,000 new shares. Grupa KĘTY S.A. owns 18,800 shares of the increased share capital.. The total value of the shares taken over, at PLN 50 each, amounts to PLN 940 thousand. The shares were fully covered by Grupa KĘTY S.A. with monetary contribution. The remaining 200 shares, at PLN 50 each, were taken over by natural persons in exchange for the contribution, i.e. the plant active in the business of flexible packaging with Flexo printing. After the share capital of RUN-PAK it amounts to PLN 1 million, and consists of 20,000 shares, out of which Grupa KĘTY S.A. owns 19,800 shares with the total value of PLN 990 thousand, which represents 99% of the shares and the same number of votes in the general meetings of shareholders of the subsidiary RUN-PAK sp. z o.o., while the remaining shareholders own in total 200 shares with the value of PLN 10 thousand, which represents 1 % of the shares and 1% of votes in the general meetings of shareholders.

- On March 14, 2005 Spółka was informed by its subsidiary, Alupol from Ukraine, about its the registration by the state registration body in Borodianka (Kiev region) of the share capital increase in Alupol Ukraine, a subsidiary 100% dependent on Grupy KĘTY S.A.. After the registration of the change, the share capital of Alupol sp. z o.o. Amounts to USD 1,050,000. After the share capital increase Grupa KĘTY S.A. owns 100% of the company shares, which represents 100% of votes in the general meetings of shareholders.
- On May 12, 2005 Metalplast Stolarka Sp z o.o., a subsidiary 100% dependant on Metalplast-Bielsko S.A. provided information on the registration of MERTZ s.r.o. with the seat in Ostrava, with the share capital of CZK 600 thousand (in full: six thousand Czech Crowns), i.e. the equivalent of PLN 84,7 thousand. The main profile of activity of MERTZ, a 100% subsidiary of Metalplast-Stolarka Sp. z o.o. Shall be sales of window and door aluminium and PVC joinery in the territory of the Czech Republic .
- On May 25, 2005 the Metalplast-Bielsko S.A. subsidiary informed about the foundation of Metalplast Romania s.r.l. with the seat in Bucharest, (owned by Metalplast-Bielsko S.A.), with the share capital of EUR 15,000. The main profile of activity of Metalplast Romania, a subsidiary 100% dependent on Metalplast-Bielsko S.A., focuses on selling aluminium systems in the territory of Romania.
- On June 2, 2005 Metalplast-Bielsko S.A. subsidiary, bought from natural persons 70 shares in the company IMPET Sp. z o.o. from Chorzów, a distributor of steel systems for the construction industry. As a result of this transaction Metalplast-Bielsko S.A. became a 70% owner of the company share capital, representing the same number of votes in the general meeting of shareholders. Metalplast-Bielsko S.A. paid PLN 35 thousand for the acquired shares. The contract signed includes an option of increasing by Metalplast-Bielsko S.A. the share ownership up to 100% within the next three years. The company IMPET is an official distributor of steel systems of Forster, a Swiss company belonging to the AFG Arbonia-Forster-Group, with the annual turnover above 1 billion of Swiss Franks. IMPET has been operating in this business for two years, and its last-year revenue on sales and commercial commissions amounted to PLN 1.5 million. The take over of the company from Chorzów means for Metalplast-Bielsko S.A. reaching a new and very prospective segment of the market, with the estimated annual value of PLN 30-40 million and the increasing trend. Steel systems are increasingly more frequently used in building construction projects with more stringent fire safety requirements. This applies both to the facades and the internal walls. Having at their disposal new solutions, Metalplast-Bielsko S.A. shall enrich their offer proposed to the customers – apart from the aluminium systems – also architectural steel systems. Metalplast-Bielsko S.A. estimates that the revenues of IMPET will increase to ca. PLN 10 million within the next 3 years. The company from Chorzów – apart from the system distribution – is active also in selling accessories for fire safety systems. At present ca. 90% of the sales of steel systems in the Polish market is done by one big international corporation. Taking over from the Swiss company, Forster, the right to distribute steel systems in Poland and the neighbouring countries shall give to Metalplast-Bielsko S.A. a chance of taking over at least 30-40 % of this market within the next 2-3 years, and to start distribution of the systems via its Foreign subsidiaries in the countries included in the exclusivity contract.
- On June 7, 2005 a subsidiary, Metalplast-Bielsko S.A. to increase the share capital of Metalplast Deutschland, took over the shares of the value of EUR 60,000. The current value of the share capital of Metalplast Deutschland amounts to EUR 85,000. Metalplast-

Bielsko S.A. owns 100% of the shares, representing 100% of votes in the general meetings of shareholders.

- On June 30, 2005 a subsidiary, RUN-PAK Sp. z o.o., received the decision of the District Court in Toruń, the 7th Economic Division of the National Court Register on the registration of the company share capital increase to the amount of PLN 1 million. After the capital increase Grupa KĘTY S.A. owns 19,800 shares of the company, i.e. 99% of the share capital of the company, representing 19,800 votes in the general meetings of shareholders.
  The Court registration date of the change in the share capital: June 29, 2005
  The value of the share capital after the registration of the change in the share capital: share capital of RUN-PAK amounts to PLN 1 million , and consists of 20,000 shares, with the value of PLN 50 each.

Significant events after the balance date

On August 24, 2005 the Extraordinary General Meeting of Shareholders of RUN-PAK Sp. z o.o. Passed the resolution to increase the share capital of the company from PLN 1,050,00.00 to PLN 8,000,000.00. 100% of the increased share capital was taken over by Grupa KĘTY S.A. Including the new shares, the total share of Grupa KĘTY S.A. in this company amounts to 99.87%.

1.5. Share capital and ownership structure

1/ Grupa KĘTY S.A.

As of December 31, 2004 the number of all issued shares of Grupa KĘTY S.A. amounted to 10,500,780 shares at nominal value of PLN 2.50.

In the 1st half of 2005 the following significant events took place, influencing the amount of the Company share capital and the ownership structure:

- On January 3, 2005 Grupa KĘTY S.A. received information from Powszechny Zakład Ubezpieczeń S.A. concerning the disposal of 30,000 of shares of Grupa KĘTY S.A. by their subsidiary. PZU Życie S.A. After the disposal transaction of the above-mentioned shares, PZU SA and its subsidiary PZU Życie S.A. own in total 522,877 shares of the company, which constitutes 4.98% of the Company share company and represents the right to 522,877 votes in the General Meeting of Shareholders, i.e. 4.98% of the maximum numbers of votes in in the General Meeting of Shareholders of the Company.
- On February 15, 2005 Grupa KĘTY S.A. received the decision of the District Court for Central Cracow, 12th Economic Division of the National Court Register on the registration of the company share capital decrease on February 8, 2005 by means of depreciating 1,575,117 shares. These shares were redeemed by the Company to be depreciated, by means of public call in 2002 Due to the above the share capital of Grupa KĘTY S.A. after the registration of the change amounts to PLN 22,314,157.50 and consists of 8,925,663 shares, at the nominal share price of PLN 2.50 each. The total number of votes resulting from all the shares after te registration of the change equals 8,925,663 votes.
- On June 3, 2005 Grupa KĘTY S.A. received information from Powszechny Zakład Ubezpieczeń S.A. concerning the purchase of 20,254 of shares of Grupa KĘTY S.A. by their subsidiary. PZU Życie S.A. on May 30, 2005. After the purchase transaction of the above-mentioned shares, PZU SA and its subsidiary PZU Życie S.A. own in total 484,275 company shares of Grupa KĘTY S.A., which constitutes 5.25% of the Company share capital and represents the right to 484,275

votes in the General Meeting of Shareholders, i.e. 5.25% of the maximum numbers of votes in in the General Meeting of Shareholders of the Company.

- On June 17, 2005 Grupa KĘTY S.A. received information from Raiffeisen Zentralbank Osterreich AG with the seat in Vienna that they own 529,320 shares of Grupa KĘTY S.A., which constitutes 5.74 % of the Company share capital and represents the right to 529,320 votes in the General Meeting of Shareholders, i.e. 5, 74% of the maximum numbers of votes in in the General Meeting of Shareholders of the Company.
- On June 28, 2005 Grupa KĘTY S.A. was informed that on June 27, 2005 the Management of the National Depository for Securities (KDPW S.A) passed the resolution to assimilate on June 30, 2005 300,000 (three hundred thousand) shares of Grupa KĘTY S.A. with the code PLKETY000045 of 8,925,663 (eight million nine hundred and twenty five thousand six hundred and sixty three) shares with the code PLKETY000011. The assimilated shares receive the code PLKETY000011. The Management of the National Depository for Securities has stated that as of June 30, 2005 9,225,663 (nine million two hundred and twenty five thousand six hundred and sixty three) shares of Grupa KĘTY S.A. are marked with code PLKETY000011. The resolution becomes effective on the date of being passed.

As of June 30, 2005 the number of all issued shares of Grupa KĘTY S.A. amounted to 9,225,663 shares at nominal value of PLN 2.50.

Shareholder structure as of June 30, 2005

Name of entity	Number of shares	Share in basic capital	Number of votes	Share in the number of votes during the General Meeting of Shareholders
OFE PZU Złota Jesień	886,233	9.61%	886,233	9.61%
ING Nationale-Nederlanden Polska OFE	749,077	8.12%	749,077	8.12%
Commercial Union OFE BPH CU WBK	608,876	6.60%	608,876	6.60%
Pionieer Pekao Investment Management S.A.	542,906	5.88%	542,906	5.88%
Raiffeisen Zentralbank Osterreich AG	529,320	5.74%	529,320	5.74%
Other	5,909,251	64.05%	5,909,251	64.05%
TOTAL	**9,225,663**	**100.00%**	**9,225,663**	**100.00%**

Changes in the shareholder structure of Grupa KĘTY S.A. after the balance

On July 26, 2005 Grupa KĘTY S.A. received information from Powszechny Zakład Ubezpieczeń S.A. concerning the disposal of 20,000 of shares of Grupa KĘTY S.A. on July 18, 2005 by their subsidiary. After the disposal transaction of the above-mentioned shares, PZU SA and its subsidiary PZU Życie S.A. own in total 460,958 shares of Grupa KĘTY S.A., which represents 4.99% of the company share capital and authorises for casting 460,958 votes in the general meeting of shareholders, i.e. 4.99% of the total number of votes in the general meeting of shareholders. Prior to this disposal, PZU S.A. and its subsidiary PZU Życie S.A. used to own together 480,958 shares of Grupa KĘTY S.A., which represented 5.21% of the share capital and authorised them to 5.21% of the maximum number of votes in the General Meeting of Shareholders of the Company.

On September 13, 2005 Grupa KĘTY S.A. received information from J.P. Morgan Chase & Co with the seat in London that because of purchasing shares of J.P. Grupa KĘTY S.A., together with the subsidiaries J.P. Morgan Investment Management Inc., J.P. Morgan Fleming Asset Management (Japan) Limited, J.P. Morgan Asset Management (UK) Limited, they own in total 484,915 company shares of Grupa Kęty SA, which constitutes 5.26% of the share capital and authorised them to

484,915 votes the General Meeting of Shareholders of the Company, i.e. 5.26% of the maximum number of votes in the General Meeting of Shareholders of the Company.

Important information relating to changes in the shareholder structure

As of the date of this Report, there existed no agreements, including the agreements entered after the balance date, as a result of which there may occur changes to the ownership structure of Grupa KĘTY S.A.

B/ Metalplast-Bielsko S.A.

Shareholder structure as of June 30, 2005.:
Grupa KĘTY S.A. - 100%
No changes occurred in the Company's shareholder structure during the first half-year of 2005.

C/ Alupol Sp. z o.o.

Shareholder structure as of June 30, 2005:
Grupa KĘTY S.A. - 100%
No changes occurred in the Company's shareholder structure during the first half-year of 2005

D/ Alutech Sp. z o.o.

Shareholder structure as of June 30, 2005:
Grupa KĘTY S.A. - 88.85%
Employees - 11.15%
No changes occurred in the Company's shareholder structure during the first half-year of 2005

E/ DEKRET Centrum Rachunkowe Sp. z o.o.

Shareholder structure as of June 30, 2005:
Grupa KĘTY S.A. - 100%
No changes occurred in the Company's shareholder structure during the first half-year of 2005

F/ Aluform Sp. z o.o.

Shareholder structure as of June 30, 2005:
Grupa KĘTY S.A. - 100%
No changes occurred in the Company's shareholder structure during the first half-year of 2005

G/ Alupol LLC Sp. z o.o.

Shareholder structure as of June 30, 2005:
Grupa KĘTY S.A. - 100%
The company was registered by the Kiev Region State Administration for Borodianka District on December 28, 2004.
No changes occurred in the Company's shareholder structure during the first half-year of 2005

H/ RUN-PAK Sp. z o.o.

Shareholder structure as of June 30, 2005:

Grupa KĘTY S.A. - 99.00%

Other - 1.00%

On August 24, 2005 the Extraordinary General Meeting of Shareholders of RUN-PAK Sp. z o.o. passed the resolution to increase the share capital of the Company i from PLN 1.050.00,00 to PLN 8.000.000,00. Grupa KĘTY S.A. Owns 100% share of the increased company. The share of Grupa KĘTY S.A. including the new shares amounts to 99.87%.

1.4. Authorities of the Capital Group's members

A/ Grupa KĘTY S.A.

The following entities constitute the authorities of Grupa KĘTY S.A.:

The General Meeting of Shareholders

The Supervisory Board

The Management Board

The General Meeting of Shareholders

The Ordinary General Meeting of Grupa KĘTY S.A. Shareholders assembled on May 10, 2004, during which the following were approved: the balance, the profit and loss account, the changes in equity, the cash flow statement, the report of the Management Board from the Company's operation for 2004, the consolidated financial statement of the Capital Group, the consolidated profit and loss account, the changes in consolidated equity, the consolidated cash flow statement as well as the Management Board's Report from the operation of the Capital Group.

On the basis of a resolution of the Ordinary General Meeting of Shareholders the net profit in the amount of PLN 80,956,708.53, earned in 2004, was assigned to the payment of dividends (PLN 36,902,652.00), to the servicing of the payment of dividends by the National Depository for Securities (PLN 20,000.00) and to capital reserve (PLN 44,034,056.53). The Ordinary General Meeting of Shareholders granted a discharge to the members of the Supervisory Board and the Management Board for the performance of their duties in the fiscal year 2004.

Moreover, the Ordinary General Meeting of Shareholders passed resolutions on adopting the Company statement with regard to the corporate governance rules, on the observance of the International Finance Reporting Standards, on amending the Company Articles, and on appointing Supervisory Board members for the 6th term.

The Supervisory Board continuously supervises the Company's operation.

As of May 10, 2004 the composition of the Supervisory Board was as follows:

Krzysztof Głogowski	Chairman of the Supervisory Board
Maciej Matusiak	Vice-Chairman of the Supervisory Board
Jerzy Kochański	Member of the Supervisory Board
Szczepan Strublewski	Member of the Supervisory Board
Sławomir Gajewski	Member of the Supervisory Board

On May 10, 2005 the OGMS dismissed the old Supervisory Board and appointed a new one for the 6th term:

Krzysztof Głogowski	Member of the Supervisory Board
Maciej Matusiak	Member of the Supervisory Board
Cezary Świąć	Member of the Supervisory Board

Szczepan Strublewski Member of the Supervisory Board
Sławomir Gajewski Member of the Supervisory Board

During the meeting of the Supervisory Board on May 19, 2005 Chairman of the Supervisory Board and Vice-Chairman of the Supervisory Board were elected. Accordingly, the composition of the Supervisory Board is now as follows:

Krzysztof Głogowski	Chairman of the Supervisory Board
Maciej Matusiak	Vice-Chairman of the Supervisory Board
Cezary Świąć	Member of the Supervisory Board
Szczepan Strublewski	Member of the Supervisory Board
Sławomir Gajewski	Member of the Supervisory Board

According to the available information, as of June 30, 2005, the ownership status of shares of Grupa KĘTY S.A. and the companies of the Capital Group by the particular members of the Supervisory Board was as follows:

Krzysztof Głogowski	Chairman of the Supervisory Board	- none
Maciej Matusiak	Vice-Chairman of the Supervisory Board	- none
Cezary Świąć	Member of the Supervisory Board	- none
Szczepan Strublewski	Member of the Supervisory Board	- none
Sławomir Gajewski	Member of the Supervisory Board	- none

In the period from January 1, 2005 to June 30, 2005, the salary of the Members of the Company's Supervisory Board amounted to PLN 185,572.65.

Krzysztof Głogowski	Chairman of the Supervisory Board	- PLN 47,057.49
Maciej Matusiak	Vice-Chairman of the Supervisory Board	- PLN 39,214.59
Jerzy Kochański	Member of the Supervisory Board	- PLN 23,210.01
Szczepan Strublewski	Member of the Supervisory Board	- PLN 31,371.66
Sławomir Gajewski	Member of the Supervisory Board	- PLN 36,397.22
Cezary Świąć	Member of the Supervisory Board	- PLN 8,321.68

The Management Board is responsible for the current management of the Company, its operation and its representation outside.

On June 30, 2005 the Management Board composition was as follows:

Jan Bronisław Kryjak	- President of the Management Board
Dariusz Mańko	- Member of the Management Board
Michał Malina	- Member of the Management Board

On April 19, 2005 President of the Management Board of Grupa KĘTY S.A,. Jan Bronisław Kryjak, presented his resignation from the function to Chairman of the Supervisory Board. President Kryjak decided that his mission of managing the company ended upon approving the 5-year strategy of the Company and announcing the financial results of Grupa KĘTY S.A. for the year 2004.

Due to the resignation handed in by Jan Bronisław Kryjak on April 19, 2005, in order to secure the continuity of the Company operation, on April 28, 2005 the Supervisory Board entrusted Dariusz Mańko, member of the Management Board and Deputy Executive Director of Grupa KĘTY S.A, to act as President of the Management Board.

On the meeting of August 3, 2005 the Supervisory Board appointed Dariusz Mańko, existing member of the Managemet Board, for the position of president of the Management Board of Grupa KĘTY S.A.

The salaries of the Members of the Management Board in the period from January 1, 2004 to June 30, 2004 amounted to PLN 1,224,830.00.

Jan Bronisław Kryjak	- President of the Management Board	- PLN992,878.87
Dariusz Mańko	- Member of the Management Board	- PLN101,951.13
Michał Malina	- Member of the Management Board	- PLN130,000.00

The salary of the Members of the Management Board on account of sitting in management and supervisory bodies of the Company's subsidiaries between January 1, 2004 and June 30, 2004 amounted to PLN 134,397.37.

In virtue of sitting in the Supervisory Board of Metalplast-Bielsko S.A.

Jan Bronisław Kryjak - President of the Management Board - PLN 16,087.26

In virtue of holding the position of President of the Management Board of Metalplast-Bielsko S.A.

Dariusz Mańko - Member of the Management Board - PLN 118,310.11

In accordance with the declarations made by the managerial staff the status of ownership of the shares of Grupa KĘTY S.A. and Capital Group's members as of June 30, 2005 was as follows:

Members of the Company's governing bodies owned 115,000 ordinary bearer shares of Grupa KĘTY S.A.

he Managerial staff does not own any other shares in other entities belonging to the Capital Group KĘTY.

In the first half-year of 2005, the Company did not make any significant transactions with related, supervising and managing persons, nor did it grant them or their relatives any loans, guarantees or securities.

B/ Metalplast-Bielsko S.A.

The Company authorities:

The General Meeting of Shareholders

The Supervisory Board

The Management Board

The General Meeting of Shareholders

The Ordinary General Meeting assembled on April 5, 2005, during which the following were approved: the balance, the profit and loss account, the changes in equity, the cash flow statement, and the report of the Management Board from the Company's operation for 2004. ,The profit from 2004 was distributed as follows: the entire profit in the amount of PLN 15,335,056.99 was assigned to dividends for shareholders. which will be used for investment purpose. The Ordinary General Meeting of Shareholders granted discharge to all members of the Management Board and the Supervisory Board for the fiscal year 2004.

On June 10, 2005 the Extraordinary General Meeting of Shareholders passed the resolution to appoint Piotr Wysocki for member of the Supervisory Board of the company.

The Supervisory Board

As of April 19, 2005 the Supervisory Board's composition was as follows:

Jan Bronisław Kryjak - President of the Management Board
Adam Piela - Vice-President of the Management Board
Mirosław Hejosz - Member of the Supervisory Board

On April 19, 2005 Jan Bronisław Kryjak resigned from the function of the Supervisory Board member of the company.
On June 10, 2005 the Extraordinary General Meeting appointed Piotr Wysocki for member of the Supervisory Board of the company.
On September 8, 2005 the Extraordinary General Meeting of Shareholders dismissed
Mirosław Hejosz from his position and accepted the resignation of Adam Pieli from the function of member of the Supervisory Board. The the Extraordinary General Meeting of Shareholders replaced the resigning members by Dariusz Mańko and Michał Malina.
The Management Board
On June 30, 2005, the Management Board composition was as follows:
Dariusz Mańko - President of the Management Board
Marcin Puchała - Member of the Management Board

On August 23, 2005 the Supervisory Board of the company dismissed Dariusz Mańko from acting as interim President of the Management Board and appointed Marcin Puchała for this position. While Tomasz Grela was appointed for member of the Management Board.

In the first half-year of 2005, the Company did not make any significant transactions with related, supervising and managing persons, nor did it grant them or their relatives any loans, guarantees or securities.

C/ Alupol Sp. z o.o.
The Company authorities:
The General Meeting of Shareholders
The Supervisory Board
The Management Board

The General Meeting of Shareholders
On May 25, 2005 the General Meeting passed the resolution to appoint Rafał Bartosik for the position of member of the Management Board of the company.
The Ordinary General Meeting assembled on June 27, 2005, during which the following were approved: the balance, the profit and loss account, the changes in equity, the cash flow statement, and the report of the Management Board from the Company's operation for 2004. The profit from 2004 was distributed as follows: the entire profit in the amount of PLN 25,951,475.14 was assigned to capital reserve (5,951,475.14) and payment of dividends for shareholders (PLN 20,000,000.00). which will be used for investment purpose. The Ordinary General Meeting of Shareholders granted discharge to all members of the Management Board and the Supervisory Board, appointed Dariusz Mańko for Chairman of the Supervisory Board and passed the resolution on the observance of the International Finance Reporting Standards in preparing financial statements of the subsidiary.

The Supervisory Board
As of December 31, 2004 the Supervisory Board's composition was as follows:

Jan Bronisław Kryjak - Chairman of the Supervisory Board
Dariusz Mańko - Member of the Supervisory Board
Rafał Lechowicz - Member of the Supervisory Board
Tomasz Rada - Member of the Supervisory Board
On April 19, 2005 Jan Bronisław Kryjak resigned from the function of the Supervisory Board member of the company. On June 27, 2005 Dariusz Mańko was appointed for the position of Chairman of the Supervisory Board.

As of June 30, 2005 the Supervisory Board's composition was as follows:
Dariusz Mańko - Chairman of the Supervisory Board
Rafał Lechowicz - Member of the Supervisory Board
Tomasz Rada - Member of the Supervisory Board

<u>The Management Board</u>
As of May 25, 2005, the Management Board composition was as follows:
Michał Malina - President of the Management Board
On May 25, 2005 the General Meeting of Shareholders passed the resolution to appoint Rafał Bartosik for the position of member of the Management Board of the company.
On September 5, 2005 the General Meeting of Shareholders passed the resolution to dismiss Michał Malina from the function of President of the Management Board and to appoint Rafał Bartosik for this position.

In the first half-year of 2005, the Company did not make any significant transactions with related, supervising and managing persons, nor did it grant them or their relatives any loans, guarantees or securities.

D/ Alutech Sp. z o.o.
The Company authorities:
The General Meeting of Shareholders
The Supervisory Board
The Management Board

<u>The General Meeting of Shareholders</u>
The Ordinary General Meeting assembled on June 16, 2005, during which the financial statements were approved, and in particular: the balance, the profit and loss account, the changes in equity, the cash flow statement, and the report of the Management Board from the Company's operation for 2004. The Ordinary General Meeting resolved to exclude the net profit for at the amount of 1,119,109.40 from distribution to shareholders and to assign it to covering the losses from previous years (PLN 770,846.10) and to capital reserve (PLN 348,263.30). The Ordinary General Meeting of Shareholders granted discharge to all members of the Management Board and the Supervisory Board. The General Meeting passed also the resolution granting approval to dispose to 532 to the company to be remitted. As of the balance date the company has not acquire these shares yet .

<u>The Supervisory Board</u>
As of April 19, 2005 the Supervisory Board's composition was as follows:
Jan Bronisław Kryjak - Chairman of the Supervisory Board
Marek Waleńtyński - Member of the Supervisory Board

Tomasz Rada - Member of the Supervisory Board

On April 19, 2005 Jan Bronisław Kryjak resigned from the function of the Supervisory Board member of the company. On June 2, 2005 Dariusz Mańko was appointed for the position of member and chairman of the Supervisory Board.

The Management Board

On June 30, 2005, the Management Board composition was as follows:

Jan Matla – President of the Management Board

In 2004, the Company did not make any significant transactions with related, supervising and managing persons, nor did it grant them or their relatives any loans, guarantees or securities.

E/ DEKRET Centrum Rachunkowe Sp. z o.o.

The Company authorities:

The General Meeting of Shareholders
The Supervisory Board
The Management Boar

The General Meeting of Shareholders

The Ordinary General Meeting assembled on April 15 16, 2005, during which resolutions were passed concerning the fiscal year 2004 as well as the report of the Management Board from the Company's operation and the financial statements were approved. The Ordinary General Meeting resolved to exclude part of the net profit for 2004 at the amount of 95,621.53 from distribution to shareholders and to assign it to covering the losses from previous years (PLN 75,621.53) and the remaining PLN 348,263.30 to contribute to the company social benefits fund (ZFŚŚ). The remaining part of the net profit at the amount of PLN 69,548.49 was distributed to the shareholders to pay the dividend. The Ordinary General Meeting of Shareholders granted discharge to all members of the Management Board and the Supervisory Board.

The Supervisory Board

On June 30, 2005, the Supervisory Board composition was as follows:

Adam Piela - Chairman of the Supervisory Board
Tomasz Rada - Member of the Supervisory Board
Wojciech Pyrda - Member of the Supervisory Board

On August 30, 2005 Adam Piela was dismissed from the function of member of the Supervisory Board, and replaced by Michał Malina appointed for this position.

The Management Board

On June 30, 2005, the Management Board composition was as follows:

Krzysztof Stuglik - President of the Management Board

On August 31, 2005 Krzysztof Stuglik was dismissed from the function of President of the Management Board, and replaced by Adam Piela appointed for this position.

In the first half-year of 2005, the Company did not make any significant transactions with related, supervising and managing persons, nor did it grant them or their relatives any loans, guarantees or securities.

F/ Aluform Sp. z o.o.

The Company authorities:

The General Meeting of Shareholders
The Supervisory Board
The Management Board.

The General Meeting of Shareholders

The Ordinary General Meeting assembled on June 10, 2005, during which the following were approved: the balance, the profit and loss account, the changes in equity, the cash flow statement, and the report of the Management Board from the Company's operation for 2004. The Ordinary General Meeting resolved to cover the loss from 2004 at the amount of PLN 3,182.66 with the company profits from the following years. The Ordinary General Meeting of Shareholders granted discharge to all members of the Management Board and the Supervisory Board.

The Supervisory Board

On June 30, 2005, the Supervisory Board composition was as follows:

Michał Malina	- Chairman of the Supervisory Board
Tomasz Rada	- Member of the Supervisory Board
Wojciech Pyrda	- Member of the Supervisory Board

On September 6, 2005 the General Meeting of Shareholders dismissed Wojciech Pyrda from the function of member of the Supervisory Board, and replaced by Zbigniew Paruch appointed for this position.

The Management Board

On June 30, 2005, the Management Board composition was as follows:

Wojciech Gelner	- President of the Management Board

On August 30, 2005 Wojciech Gelner, was dismissed from the function of President of the Management Board, and replaced by Krzysztof Buczek appointed for this position.

On September 7, 2005 the Supervisory Board appointed Wojciech Pyrda for member of the Management Board of the company.

In the first half-year of 2005, the Company did not make any significant transactions with related, supervising and managing persons, nor did it grant them or their relatives any loans, guarantees or securities.

G/ Alupol LLC Sp. z o.o.

The Company authorities:

The General Meeting of Shareholders

Company supervision:

The General Meeting of Shareholders appointed Piotr Wysocki for Chairman of the company, representing the General Meeting in the company supervisory bodies, pursuant to the clauses and authorisations stipulated in the Company Articles.

Company management:
The company is managed by the Director – one-man executive body – Wladimir Savienko – appointed by the General Meeting of Shareholders.

H/ RUN-PAK sp. z o.o.
The Company authorities:
The General Meeting of Shareholders
The Supervisory Board
The Management Board

The General Meeting of Shareholders
The company was set up by the foundation deed of February 25, 2005 with the share capital of PLN 50,000. On March 4, 2005 the General Meeting of Shareholders passed the resolution to increase the share capital from the amount of PLN 50,000 to PLN 1,050,000. On August 24, 2005 the General Meeting of Shareholders passed the resolution to increase the share capital from the amount of PLN 1,050,000 to PLN 8,000,000.

The Supervisory Board
As of February 25, 2005 the Supervisory Board's composition was as follows:
Bartłomiej Płachno - Chairman of the Supervisory Board
Tomasz Rada - Member of the Supervisory Board
Tomasz Janik - Member of the Supervisory Board

On March 4, 2005 Tomasz Rada was dismissed from the function of member of the Supervisory Board, and replaced by Leszek Budkiewicz appointed for this position.

As of June 30, 2005 the Supervisory Board's composition was as follows:
Bartłomiej Płachno - Chairman of the Supervisory Board
Leszek Budkiewicz - Member of the Supervisory Board
Tomasz Janik - Member of the Supervisory Board

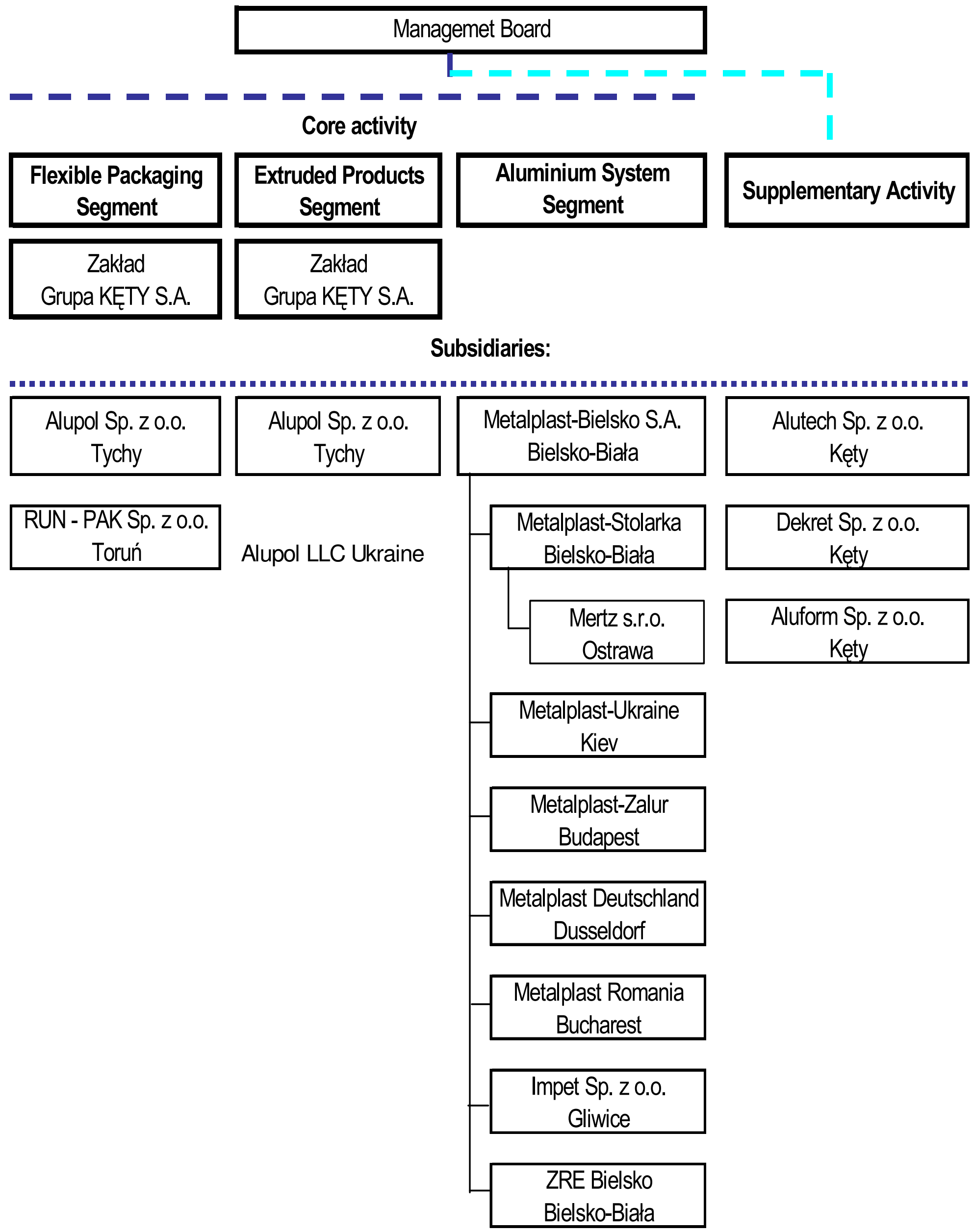
The Management Board
As of February 25, 2005 the Management Board's composition was as follows:
Maciej Mąka - President of the Management Board

On March 7, 2005 Wiesław Runkowski was appointed for the position of Vice President of the Management Board.
On May 10, 2005 Wiesław Runkowski was dismissed from the function of Vice President of the Management Board, and replaced by Henryk Szewczuk appointed for this position.

In the first half-year of 2005, the Company did not make any significant transactions with related, supervising and managing persons, nor did it grant them or their relatives any loans, guarantees or securities.

1.5. Organisation structure of the Capital Group Grupa KĘTY S.A.

As of June 30, 2005 the organisation structure of Grupa KĘTY S.A. remains as follows:



2. Market information

2.1. Sales and target markets

The operation of the Capital Group KĘTY focuses on three strategic segments: the Extruded Products Segment (EPS), the Flexible Packaging Segment (FPS) and the Aluminium System Segment (ASS). The EPS is serviced by the manufacturing facilities in Kęty (Grupa KĘTY S.A.), Tychy (Alupol sp. z o.o.) and in the future by Alupol LLC (Ukraine). The FPS s serviced by the manufacturing facilities Kęty (Grupa KĘTY S.A.), Tychy (Alupol Sp. z o.o.) and Toruń (RUN-PAK Sp. z o.o.). The ASS is serviced by Metalplast-Bielsko S.A. and Metalplast Stolarka sp. z o.o. from Bielsko-Biała, and other companies within the Capital Group Metalplast-Bielsko S.A.

A/ Grupa KĘTY S.A.

Grupa KĘTY S.A. operates in two technologically and organisationally independent segments:

- the Extruded Products Segment – the manufacture and sale of extruded products of aluminium and aluminium alloys.
- the Flexible Packaging Segment – the manufacture and sale of metallic aluminium foil and flexible packaging materials made of paper, aluminium foil and plastics without prints as well as rotogravure printed.

The table below presents the production volumes, per product group, sold in the 1st half of 2005, including exports sales.

Segment Assortment groups	Sales volumes in tons				Dynamics 1st half 2005/ 1st half 2004
	1st half-year of 2004.		1st half-year of 2005		
	T	%	T	%	
Extruded Products Segment					
Sales volume, including:	**15 897**	**78,3%**	**14 792**	**74,9%**	**93,0%**
- at home	12 623	79.4%	11 137	75.3%	88.2%
- export	3 274	20.6%	3 655	24.7%	111.6%
Flexible Packaging Segment					
Sales volume, including:	**4 408**	**21.7%**	**4 953**	**25.1%**	**112.4%**
- at home	3 459	78.5%	3 812	77.0%	110.2%
- export	949	21.5%	1 141	23.0%	120.2%
Total sales volume, including:	**20 305**	**100.0%**	**19 745**	**100.0%**	**97.2%**
- at home	16 082	79.2%	14 949	75.7%	93.0%
- export	4 223	20.8%	4 796	24.3%	113.6%

In the first half-year of 2005 the sale of the EPS products had the largest share in the sales volumes and constituted ca. 75% of the Company's total sales. The EPS noted negative dynamic of sales during that period in the domestic sales. While the export sales of EPS increased by +12%. The FPS have noted positive sales dynamics for the first half-year of 2005, both in domestic and export sales . The lower volumes of export sales are compensated by the high dynamics of the EPS sales to the national market, what has been associated with an evidently improved economic situation in Poland The total sales figures of the Company show a slight decrease compared to the corresponding period of last year.

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The table below presents the value of production sold in the first half of 2004 and 2005 divided into assortment groups and including exports.

Segment	Sales value in PLN	Dynamics

	1st half-year of 2004		1st half-year of 2005		
	PLN thousand	%	PLN thousand	%	
Extruded Products Segment					
Sales value, including:	**211 075**	**73.5%**	**172 807**	**68,5%**	**81,9%**
- at home	165 170	78.3%	128 112	74.1%	77.6%
- export	45 905	21.7%	44 695	25.9%	97.4%
Flexible Packaging Segment					
Sales value, including:	**75 961**	**26.5%**	**79 460**	**31.5%**	**104.6%**
- at home	63 659	83.8%	67 080	84.4%	105.4%
- export	12 303	16.2%	12 380	15.6%	100.6%
Total sales value, including:	**287 036**	**100.0%**	**252 267**	**100.0%**	**87.9%**
- at home	228 828	79.7%	195 192	77.4%	85.3%
- export	58 208	20.3%	57 075	22.6%	98.0%

(*) the above specification does not account for the remaining sales of Grupa KĘTY S.A., which are not connected with the above segments and which in the first half-year of 2004 reached PLN 7,364 thousand and in the first half-year of 2005: PLN 7,366 thousand.

The most significant sales drop concerned the EPS segment, which was related to the high benchmark for the 1st half of 2004, resulting from the increased demand at that time before Poland's accession to the EU and thus foreseen increase of the VAT rate for construction materials. The level of orders from the 2nd quarter of 2005 has decreased this year by 1,239 tons. This was mainly caused by lower demand from big regular customers, in particular from the following industries: construction, interior decor and publicity, white goods, tourism and transport. In the 1st quarter of 2005 in the Polish market there was visibly weakening market condition and slower economy growth, reflected by lower number of orders compared to the 1st half of 2004
In order to minimise the negative effects of the economical conditions the EPS tood numerous actions aiming both at reaching new customers and increasing the shares of Grupa KĘTY S.A. in the supply volume at our existing customers.
The Flexible Packaging Segment has shown sales growth, visible most of all in the Polish market. The FPS has had higher sales in the market of food concentrates and in the confectionery industry, both to the large accounts, as well as to medium and smaller customers.

Metalplast-Bielsko S.A. was in the first half-year of 2005, just like in the previous years, the main customer of Grupa KĘTY S.A. with respect to extruded and drawn products; in the first half-year of 2005, it bought approximately 2,614 tons of aluminium profiles for the total amount of PLN 24,909.6 thousand, which constituted ca. 16% of the value of the EPS sales. The capital relations with Metalplast-Bielsko S.A. are the key factor that guarantees the sales stability in this segment. The mutual capital connection between both companies significantly reduces the risk of their excessive supplier-customer interdependence to third parties.

If we consider the directions in which the sales of the Extruded Products Segment and Metalplast-Bielsko S.A. go, we must conclude that the market position of the Capital Group KĘTY is highly dependent on the condition of the construction industry. Despite the positive signals in the construction industry in the middle of 2004 (related mostly to Poland's accession to the EU and the increase of the VAT rate for construction materials to 22%), the apparent growth development started to decrease. In the 1st half of 2005, and in particular in the 1st quarter of 2005 there was a visible demand drop in the construction market. An increased portfolio of orders has been foreseen for the next three months, and the production forecasts are optimistic as well. The current financial standing of construction-assembly contractors is not satisfactory, however better than in the first months of this year. This has been influenced also by decreasing delays in the receivables collection. Some symptoms of awakening can be seen in the investment market, to a large extent by means of restarting investment project preparation by design agencies and substitute investors. This proves that once stopped investments have been financed again.

In the Flexible Packaging Segment, during the first half-year of 2005, the key account included the following customers: Maspex, Unilever, Kraft Foods, Centr Galactika, Bielmar, and Mokate. The FPS strategy is to concentrate on sales to the largest international corporations with branch offices in Poland and in the neighbouring countries, and to the largest Polish companies. Orders from large accounts of the FPS are based on long-term cooperation and repeatability. So far, the majority of the FPS export efforts concentrated on the countries of Central and Eastern Europe (Lithuania, Belarus, Ukraine, Russia), however actions are taken in order to increase sales to the markets of the European Union. The FPS keeps developing sales of packaging with the Flexo printing, which at the beginning of 2005 resulted in taking over one of the magor packaging producers in this segment, i.e. RUN-PAK. This company shall support the FPS activity in the market of laminates for butter and margarine and for ice cream cone, and to provide logistic service to customers from the North of Poland.

B/ Metalplast-Bielsko S.A.

Metalplast-Bielsko S.A. is the largest Polish manufacturer and distributor of aluminium systems for the construction industry. It is a part of the Capital Group Grupa KĘTY S.A. and represents the third segment of the Group, i.e. the Aluminium Systems Segment.

The Company has its own technical system solutions, carries out research as well as can boast of approvals and certifications confirming that their products are technologically advanced in the highest possible degree

The company applies a broad range of manufacturing processes, such as: bending aluminium profiles, crushing thermal break, anodising and varnishing. In the 1st half of 2005 the company processed ca. 2,614 tons of aluminium profiles.

The Company has a very well-developed network of cooperation partners and assembly shops, specialising in the production of aluminium elements, wholesale outlets and system warehouses located in different parts of Poland. It has also sales representatives in Ukraine, Hungary, Russia, Germany and Romania. In the first half-year of 2005, the Capital Group Metalplast-Bielsko S.A. sold its products for the total amount of PLN 67.2 thousand, locating ca. 15% of its sales in foreign markets in such countries as Russia, Ukraine, the Czech Republic, Hungary, Lithuania, Slovakia, and the Balkan countries.

The systems of Metalplast-Bielsko S.A. have been appreciated more and more often architects, general contractors and investors. This has been proven by such significant contracts executed in the 1st half of 2005 as as: Hotel HILTON, CIRRUS, and the largest ever contract concluded by the company for the complete facade systems of the new terminal of the Warsaw-Okęcie airport. Such prestigious projects increase our chances of breaking some kind of psychological stereotype with the architects and investors, which used to be one of the main reasons of losing some major contracts to such companies as Schüco or Reynaers.

Other substantial contracts include the following: next stage of modernising the buildings of the University of Warsaw and the Warsaw University of Technology , housing estates: Zawisza, the estate at Al. KEN, at ul. Jastrzębskiego and at ul. Bukowińska, the Warsaw Agricultural University, the Warsaw Management Academy, and Praktiker in Warsaw; the Colosseum in Cracow, the MPEC and the Marshal's Office in Białymstok, the Education Centre in Augustów, Centrum Zana II in Lublin, the shopping centre and hospital in Rzeszów, the shopping centre in Świdnik, the shopping centre 'Dom Kupca' in Stargard Szczeciński, the Refinery of Gdańsk, the Housing Association in Gdańsk, the Water Mains in Bydgoszcz, developments in Wrocław: the head office of the HAK company, Hotel JASEK, department store GAJ, the IT Faculty of the University of Wrocław. The sales in most of the export markets served by Metalplast-Bielsko S.A and its partners increased by ca. 15% compared to the corresponding period of last year.

Major contracts executed abroad included : the Limerick building in Ireland, building in Koln, TBP in Dusseldorf , and in the Eastern Europe: continuation of the contract for the Kiev Airport (Boryspol), car showrooms in Donieck and Charkov, the shopping gallery „Tawria", the shopping centre in Czerkasy, the „WIELKA KIESZEŃ" supermarkets in Mikolajev and in Cherson, the office block „Buriewiestnik" in Nachodka, the shopping centre with swimming pool complex in Moscow, the Transport Bank in Moscow, the 'Olimp' building in St. Petersburg, shopping centres in Moscow, Klimovsk, Tver and Rezan, the sanatorium-hotel complex in Vladykaukaz, and the Sports Palace in Tupin. In the Southern markets the following contracts were executed: ORION Bratislava, TESCO in Slovakia, 2nd Terminal of the Prague Airport and the Siemens building in Prague.

C/ Alupol Sp. z o.o.

The Company's activities are aimed at strengthening the position of the Capital Group KĘTY in the flexible packaging and extruded products market. The idea behind Alupol Sp. z o.o. is to take advantage of the attractive benefits connected with its operation in the Special Enterprise Zone on the one hand and to create a modern production facility that will be able to offer a broadened product assortment on the other hand. The new facility in Tychy contributed to the rise in the volume of orders from the current customers as well as to the gaining of new clients, which brought about the necessity to develop and offer new products.

The flexible packaging plant constituting a part of the FPS specialises in the manufacture and sale of highly processed multi-layered packaging materials for the food concentrate, confectionery and pharmaceutical industries.

In 2004 the construction of the second plant of flexible packaging was completed, in which the plastic foil and paper metallization line and Flexo printing house were installed, including all the technical infrastructure.

The task of the plant belonging to the EPS segment is to extend the trade offer of the Capital Group KĘTY to include large-size profiles, which are mainly used to produce charging pans, ships' sides, engine casings, brackets and window sills. They are manufactured by means of a 4400-ton press. Another one of the plant's tasks is to cover the clients' demand for highly complex small-size profiles with constrained tolerances, with wall thickness of less than 1 mm, a high degree of smoothness and excellent aesthetic properties.

Value of production sold in the first half-year of 2004 and in the first half-year of 2005

thousand PLN	1st half-year of 2004	Ist half-year of 2005	Dynamics 05/04
Flexible Packaging Segment	58 618	70,388	120%
Extruded Products Segment	18 416	15,981	87%
TOTAL	**77 034**	**86,369**	**112%**

D/ Alutech Sp. z o.o.

Alutech has a wide activity profile including the following operations: maintenance, design, overhaul, as well as investment and production of technical equipment and packaging materials. The Company provides also comprehensive services relating to complex works, from general construction works to electronics. In 2004 the Company focused on covering the needs of KĘTY S.A. and its subsidiaries.

E/ DEKRET Centrum Rachunkowe Sp. z o.o.

Dekret runs the books for the members of the Capital Group Grupa KĘTY S.A.

F/ Aluform Sp. z o.o.

Aluform was not in operation in the first half-year of 2005.

G/ Alupol LLC Sp. z o.o.

The company was not in operation in the first half-year of 2005 The company is at the stage of organizing and preparing production operation. Real estate has been purchased and land lease contract has been signed. The company is taking intensive actions in marketing and market winning.

H/ RUN-PAK sp. z o.o.

The company is the continuation of the Capital Group development in the area of Flexo printing, initiated by means of opening the plant of Alupol. The company was founded in February 2005, and now is at the stage of development and market winning. In the 1st half of 2005 the company sales value amounted to PLN 3,894.3/

2.2. Distribution

A/ Grupa KĘTY S.A.

The distribution of the products of the Flexible Packaging Segment is based on two models:

- Plant – final manufacturer (packaging products in FPS packaging materials)
    - Plant – flexographic, offset printing house – final manufacturer

The first model applies to the majority of products of the Flexible Packaging Segment and especially to printed packaging materials. This form of distribution is closely related to the specific nature of the packaging materials. The manufacturers using the Segment's packaging materials commission the Segment's companies with printing the graphic designs that they have copyrights to on the packaging and in this way there are the only recipients of those packaging materials

The second model applies mostly to laminates used for packing butter as well as packaging materials for food concentrates, which are printed flexographically or by means of the offset technique. The manufacture of small batches of packaging materials with rotogravure prints is extremely expensive, therefore it is unprofitable to accept orders of this kind. Thus, we produce laminate without print, and it is later printed by flexographic and offset printing houses. In many cases the laminate is acquired externally, which is dependent on non-formal factors.

The share of this distribution channel in the total sales volume will be gradually reduced following the increased application of the Flexo-printed product range.

All of the Flexible Packaging Segment's products are distributed by means of a carrier hired by the Segment or by customer own transport.

The Extruded Products Segment

The products of the Extruded Products Segment are mainly sold to final recipients. A part of the standard production is sold through wholesale chains as well. This is due to a considerable dispersion of retailers, which prevents direct transactions on account of high costs and organisational difficulties. In the case of foreign wholesalers contracts are executed for final customers expecting „just in time" deliveries. This solution is also used by other leading companies in the business. Direct sales are a dominant form of sale. The Segment's sales personnel is responsible for searching for new customers as well as for negotiating the transaction conditions directly with the client

B/ Metalplast-Bielsko S.A.

The MB and Spectral systems are sold and distributed directly from Metalplast-Bielsko S.A. or through dealers cooperating with the company and wholesale outlets all over the country. The distribution of the finished products (aluminium joinery elements), made-to-order products as well as the sale of assembly and maintenance services is done by a separate company, Metalplast-Stolarka, while finished products are sold via the Mertz subsidiary - through their chain of outlets in Poland and abroad. The distribution of products in the foreign markets runs through the sales office in Metalplast-Bielsko S.A. as well as through companies and offices in the Ukraine, Hungary and Russia, Germany and Romania.

C/ Alupol Sp. z o.o.

The distribution channels are identical with those of the Flexible Packaging Segment and the Extruded Products Segment.

D/ RUN-PAK sp. z o.o.

The distribution channels are identical with those of the Flexible Packaging Segment.

2.3. Sources of supplies

A/ Grupa KĘTY S.A.

The Flexible Packaging Segment

The main raw materials used in the FPS segment include the following groups: aluminium foil and tape, plastic granulates (polyethylene and its derivatives), paper, (universal, greaseproof, printed), plastics (foils PET, OPP, PVC, PE), paints, varnishes, adhesives, binders and chemicals.
The purchasing policy is based on the cooperations with qualified supplies that have satisfied the quality specification. Thanks to the extensive supplier data base, purchase in particular raw material group may be assigned alternatively to a few different suppliers. Such situation guarantees safety and continuity of supplies. On the top of that, this system enables the company to maintain high pur purchasing power in negotiations with suppliers. Raw materials are mostly purchased by way of individual orders and to a much lesser extent by way of large contracts for multiple supplies.

Aluminium tape - the main supplier of aluminium tape is Aluminium Konin- Impexmetal S.A. The pricing formula based on the 10-year supply contract signed in 1999 determines the price of aluminium tape from the London Metal Exchange (LME) quotations and the USD exchange rate.
Plastic granulates – due to the quality reasons this raw material is purchased mainly abroad. The main suppliers in the 1st half of 2005 included Innovene (the UK; material supplied from their plant in Germany), Slovnaft (Slovakia) and DOW (Germany). The remaining producers (Borealis, Polimeri,

Sabic, ExxonMobil) are treated as backup suppliers. The granulate prices increased rapidly at the beginning of the year and from February to June decreased significantly.

Paper – foreign companies are the main suppliers of paper : Sappi (Germany), KRPA (the Czech Republic), Dresden (Germany), UPM (Finland), Hunsfos (Norway), M-real (Finland). Majority of universal and printed paper is supplied by Sappi (Germany), as the cooperation was re-initiated thanks to obtaining very good commercial conditions upon satisfying the qualifying specification by this supplier .

Plastic - (PET, OPP, PE, PVC foils) -these band raw materials, due to the high customer expectations, are mostly imported from such countries as: Germany, South Korea, Thailand, Italy, France, Belgium, Austria - including the following companies: Mitsubishi, Toray, Polyplex (PET foil), Treofan, Exxon Mobil (OPP foil, the OPP lfoil is purchased partly from Flexpol-Gąsior), Klockner Pentaplast, Ineos Films (PVC foil), Unterland,Alcan (special PE foil). Apart from the PE foils produced by Alupol, spot purchases were made also ERG-Bieruń. The raw material prices in this segment were influenced to a large extent by the crude oil price fluctuations and the changing situation in the granulate market. The growing trend, observed in the first months of 2005, was fallowed by price decrease in the next months of the 1st half-year.

Paints and coatings – the main paint suppliers include Warszawska Fabryka Farb Graficznych S.A., SICPA (Belgium) and BASF Poligrafia Polska Sp.,z o.o. and in the case of varnishes Henkel Polska.

Adhesives and binders – adhesives are mostly supplied by Mydrin Findley (Italy), Henkel (Germany) has been also used as an alternative supplier. Binders are supplied by Honeywell (Belgium) and Paramelt (Holland).

The Extruded Products Segment

With respect to quantity and value, the basic raw materials, used in this segment, are: pure aluminium, purchased from foreign suppliers, and aluminium scrap purchased in Poland. In the 1st half of 2005 the Company purchased the primary aluminum based on the contracts signed with its two major partners – the largest Russian aluminium producers, supplying aluminium of Russian and Ukrainian origin.

The Company is also undertaking active attempts at obtaining aluminium scrap in Poland. Due to the current legislation on the import of waste (introduced after the Poland's accession to the EU) - and the metal scrap is considered waste, the import of this raw material is very complicated and hindered by the necessity of obtaining a permit by each potential supplier. Apart from the bureaucratic barriers there is still the issue of price diversity (closely related to the LME quotations|), so the price of th the scrap material interesting for us – i.e. the profiles, is higher in the area where it is most available (Germany), and thus potential German suppliers cannot offer us this raw material at the prices based on the the Polish price level. Due to the above, all the scrap material is supplied by the Polish market. The Company cooperates with the largest Polish companies active in the recovery, rework and distribution of the aluminium scrap.

Grupa KĘTY S.A. does not depend only on the actual suppliers, actively searching for possibilities of aluminium procurement from various sources at optimal prices. Also contacts have been entered with manufacturers of ingots, which yielded first regular deliveries.

Morover, commercial actions are taken in order to search for further sources of ingots supplies. The purchase of aluminium and ingots from several suppliers allow for diversification of supply sources, as well as to conduct appropriate price policy in order to reduce the costs of raw material purchase.

The price of aluminium depends on the world market situation (LME quotations), independant from the efforts of Grupa KĘTY S.A. Aiming at providing aluminium supplies directly from the producer, in

the 1st half of 2005 the Company continued cooperation with the two major aluminium suppliers, at the same time negotiating the possibility of the primary aluminium supplies from alternative sources.
The average Cash Settlement quotations in the LME for the 1st half of 2005 developed as follows:

January	1834 usd/mt
February	1883 usd/mt
March	1982 usd/mt
April	1894 usd/mt
May	1744 usd/mt
June	1731 usd/mt

Most of the forecasts for the 2nd half of 2005 are consistent in anticipating increasing trend of the aluminium price to the level from the 1st quarter of the year. Such trend is caused by the significant demand in the Far East (China), as well as the record-breaking bids for the copper that have an impact on the aluminium price. Morover, it should be pointed out the continuously growing prices of oil and energy have an impact on the production costs of aluminium. Bearing in mind the above-mentioned factors, high prices of aluminium and aluminium prices should be expected in the 2nd half of 2005.

B/ Metalplast-Bielsko S.A.

Grupa Kęty S.A. supplies of a 100% of profiles, which are the basic raw material for the manufacture of the MB and Spectral aluminium systems. The remaining materials, such as furnitures and gaskets are bought with several local suppliers. In the 1st half of 2005 Metalplast-Bielsko S.A. bought approximately 2.614 tons of aluminium profiles from Grupa KĘTY S.A., which covered its total demand for the raw material

C/ Alupol Sp. z o.o.

Alupol's suppliers are the same as the suppliers for the Flexible Packaging Segment. Since the Extruded Products Segment works with aluminium billets received from Grupa KĘTY S.A., the basic raw materials used by Alupol both quantitatively and qualitatively are the raw materials purchased by the Flexible Packaging Segment

2.4. Competition

A/ Grupa KĘTY S.A.

Flexible Packaging Segment

Among direct competitors of the Flexible Packaging Segment of Grupa KĘTY are companies that manufacture and print (by rotogravure and flexography) flexible packaging materials. Until recently, aside of the Grupa KĘTY Flexible Packaging Segment, there have been many companies offering packaging materials with rotogravure prints.
At the moment, the basic players in this market include the following companies: Grupa KĘTY S.A., Teich Polska, Amcor, Nordenia Polska, Mondi, Alcan as well as several dozen Polish companies using the flexo/roto/offset technology, i.e.: Wodamex, Opus, Opako, Formika, Baad, Drukpol. Foreign competitors specialising in specific assortments have a strong position in the Polish market, e.g.: Safta, Porta, Giko, Golia. The majority of them are technologically advanced with respect to multi-layer laminates and specialise in single- and two-layer products. As far as the manufacture of polyethylene coated paper and the quatrex laminate are concerned, the German Leipa is KĘTY's

main competitor. The strong competition in the market means benefits to clients (better prices, shorter lead times and payment deadlines, etc.)

The Segment concentrates on supplies to large international corporations as well as to well-known local companies. It systematically develops its cooperation with such companies as Nestle, Unilever, Kraft or Maspex, which undoubtedly is evidence to the trust our clients have in our Company. The strengths of this Segment include its broad spectrum of products, its own raw material base and its own line for the production of printing tools. They which ensure the Segment's flexibility and its ability to quickly react to the changing expectations of the clients. Those attributes are certainly appreciated and are very often the reason for the choice of Segment as the main supplier.

The Extruded Products Segment

The main competitors of Grupa KĘTY S.A. in this market are: Sapa Poland sp. z o.o., Hydro Aluminium Chrzanów sp. z o.o., Final S.A.

The new press shop Eurometal S.A. from Stalowa Wola has been very active, offering low price standard products. There is still noticeable foreign competition, mainly from such producers as: Alcan, Impol or Alcoa. The activity of the Western European competition has also been visible, mainly because of the attractive commercial conditions offered. More and more often Polish customers are also supplied by highly competitive producers from Turkey and China. The activity of Chinese companies has been noticeable in particular, offering their products via their representatives for each market, including the Polish market.

The policy adopted by the Capital Group assumes making the product and price offer more attractive, and improving the service grade as far as possible. Morover customers are encouraged by offering bonus targets related to the volume of orders. Additionally in August the production on the backward press 2800 T shall be started up, which is going to provide for cost reduction of the so far not profitable products.

B/ Metalplast-Bielsko S.A.

Competitors of Metalplast-Bielsko S.A. may be divided into two basic groups :

1. Distributors focusing their activity on winning big contracts
2. Competitors active in the market of small and medium customers

There has been no radical change with regard to the direct competitors. The market service methods used by the European competitors are similar, and in Poland due to the market conditions most companies have further intensified their efforts to gain new orders. The continuous decrease of foreign exchange rates in the 2nd quarter of 2005 has gradually decreased the competitiveness of the MB systems compared to such competitors as: Yawal, Reynaers, Aliplast. This concerned in particular the system accessories and fittings.

See below: the basic information of the activity of particular competitors:

SCHÜCO – a German distributor traditionally focused on large contracts, has not changed the methods of operation. For a log time this company seemed to be our strongest competitor in winning the most prestigious contracts. The fact of beating them in the competition for the Hilton hotel contract and the terminal extension of the Warsaw-Okęcie airport may be considered as a turning point of this competition.

REYNAERS Belgian distributor, focused on fighting for particular contracts. Their activity is the most visible in the architects' circles, however it differs a lot per each,region of the country. I has been foreseen that in the nearest future the company is still going to benefit from the low EUR exchange rate, which makes its products comparative in price and very competitive for the offer of Metalplast-Bielsko S.A.

SAPA A system with Swedish origin, offering products both for the upper and lower end customers (RC series systems). Their sales is based mostly on the fire safety system, in which Sapa has been the precursor in the Polish market. However, their competition in this area has been growing, not only from Metalplast-Bielsko S.A., but also fromAlumil.

YAWAL Within their system offer they continue intensive efforts on the fire safety constructions development.

PONZIO A company with Italian origin, active in the low price segment. They offer simple and economical products and good technical support, and thus are an important competitor in the small customer segment. The observations of the regional coordinators show that Ponzio maintains the sales level of last year, competing mainly with Yawal and Aliplast.

ALIPLAST A distributor of Belgian economical systems, active in most regions of Poland. The use a variety of competitive method to win the customers. Apart from the low price and fast deliveries they are able to offer also so called incentives: trainings and trips to Belgium.

ALUMIL A distributor of of Greek low-price profiles. Since 2004 they have offered fire safety construction system at attractive prices. In the 1st half of 2005 apart from the agressive sales policy, they have started to be present more and more often in the architect circles.

WICONA A distributor without a Polish branch since 2002. However, for the last few months they have been trying to regain their position systematically and without publicity, being active in the circles of architects and General Contractors.

A significant trend in the activity of Metalplast-Bielsko S.A. is aiming at satisfying the increasingly demanding market of large projects, which corresponds directly with making the technical offer more attractive and extending it by new solutions, in particular in the facade systems. These actions resulted in winning large contracts for Hilton andi Cirruc hotels and signing the largest contract in the history of the company for the facade system of the new terminal of the Warsaw-Okęcie airport.

C/ Alupol sp. z o.o.

Alupol's competitors are the same as the competitors of the Flexible Packaging Segment and the Extruded Products Segment.

D/ RUN-PAK sp. z o.o.

Alupol's competitors are the same as the competitors of the Flexible Packaging Segment.

2.5. Important events in the first half-year of 2005 and after the balance date

A/ At home and abroad

1. Still no clear indications of the growing trend in the world economy, in particular in teh EU (in Germany).
2. The high GNB growth in 2004 related to the Poland's accession to the EU, has been followed by steadily low level of ca. 3%, which had a significant impact on weakening the demand for our products in the 1st half of 2005.
3. Legal and economic changes connected with Poland's joining of the EU.
4. Major fluctuations of the aluminium price related to the high demand for this raw material claimed by China.

5. High crude oil price, influencing the increased costs of oil-based raw material production and energy costs.

B/ In the Capital Group KĘTY S.A.

1. Adopting the strategy of Grupa KĘTY S.A. for the years 2005-2009 by the Supervisory Board.
2. Resignation of Jan Bronisław Kryjak from the function of President of the Management Board of Grupa KĘTY S.A.
3. Appointment of Dariusz Mańko for President of the Management Board of Grupa KĘTY S.A.
4. Meeting the net profit target defined in the budget of the Capital Group KĘTY for 2004.
5. Company statement on the observance of the Corporate Governance rules within the company.

2.6. Factors determining the development of the Capital Group

A/ External factors

1. The condition of the world and Poland's economy.

   Capital Group KĘTY is sensitive to fluctuations in the economies of the European countries and in other parts of the world. The lack of stability of the macroeconomic parameters, such as inflation rate, the foreign trade balance, the budget deficit, the GNP dynamics, interest rates and currency exchange rates may influence the Group's results. In spite of the deteriorated economic conditions the Group is managing its business very well, achieves positive sales volumes and values each year and reaches high export volumes.
2. The state's economic policy and especially:
   - Tax policy – the lack of stability and transparency in the fiscal policy limits the development possibilities of the Capital Group.
   - Changes in interest rate levels– in the context of the costs of credits taken.
   - The EU customs policy – from May 1, 2004 the Capital Group is obliged to pay 6% duty on aluminium imported from the former Soviet Union countries. The manufacturers located in those countries are the Company's major aluminium suppliers.
3. Availability of basic raw materials

   The main raw materials used by the Capital Group to manufacture its aluminium products are aluminium scrap and primary aluminium. The Group has no problems with the primary aluminium supplies. The prices of aluminium scrap are lower than the prices of primary aluminium and the Group is dependent on using scrap as a raw material in order to maintain its margins for products cast from alloys. In order to ensure the stable quantity and quality conditions of aluminium scrap purchases, the Group has developed a network of regular suppliers all over the country. At the moment, the Group does not have any significant difficulties with aluminium scrap supplies, which is obtained mainly from the home market and supplements with foreign supplies. It has been estimated that the Group shall have no problems obtaining aluminium and other basic raw materials, such as paper for printing and lamination, paints, varnishes, PE and PP foils.

4. Prices of basic raw materials.

   The Capital Group is fully dependent on world aluminium prices, which may significantly influence its sales values, its earning capacity and its financial results. The entire volume of primary aluminium supplies for the Company, primary aluminium being the basic raw material used in the manufacturing processes, is based on aluminium prices established at the London Metal Exchange. Also the prices of aluminium scrap are correlated with the world aluminium prices and have a tendency to change as a result of price changes in the London Metal Exchange. A violent increase in the prices of aluminium scrap or primary aluminium, if not balanced by the increase in the product prices, may have significant detrimental influence on the Company's financial condition and the results of its operation

The sales of the Extruded Products Segment are largely based on agreements specifying constant prices. Purchases of metals for future supplies, the so-called futures, as well as optional contracts are used in order to reduce the total risk of aluminium price changes that influence the results of the Extruded Products Segment. In spite of the fact that it is the Company's intention to fully secure the price of aluminium used to manufacture the products sold on the basis of fixed-price agreements, it cannot grant any guarantee that it will always be so.

From the day of Poland's accession in the EU the Capital Group is obliged pay 6% customs duty on primary aluminium imported from the former Soviet Union countries. Such 6% customs duty rate has a significant impact on the increased price of aluminium purchased by the Capital Group.

5. Foreign currency exchange rates on account of imports of raw materials and exports of products.

   Approximately 70% of the material costs of the Capital Group originate from imported materials or materials manufactured on the basis of imported raw materials, as a result of which their prices are closely correlated with USD and EUR exchange rates. Currency exchange rate changes have impact on other raw materials, which are purchased from local suppliers as well. In order to protect itself from the exchange rate risk, the Capital Group is using financial instruments available in the Polish market, such as forward transactions and options. The Group is planning to continue the strategy whose aim is to limit the currency exchange risk.

6. Level of competition – the presence of large western corporations in the business.

   The last couple of years have been marked with a continuous increase in competition in all segments of the Capital Group's operation. The considerable attractiveness of the Polish market gives reasons to expect that this trend will hold in the future.

7. Poland's accession to the EU.

   Following Poland's accession to the EU the Capital Group began to function in new economic, legal and organisational structures. The new factors closely connected with its business activity have a considerable significance for the Group. Among them there are the following:

   - 6% customs duty rate on primary aluminium,
   - new EU customs rates and trade rules with Russia, Belarus, the Ukraine and other countries of the CIS – the former Polish agreements were more export oriented,
   - punctual implementation by Poland of regulations relating to the operation of Polish companies in the common EU market.

The above mentioned factors may have significant influence on the financial results of the Capital Group.

B/ Internal factors

1. The level of investments in the technological development and in the distribution and sales networks.
   The functioning of the Capital Group in the highly competitive market requires the constant meeting of the demands made by the competition and the clients. Those demands can only be met through technological development, new implementations, increase of potential as well as the development of the distribution and sales network. The Capital Group is aware of those demands, therefore it gradually implements its strategic plan that ensures the Group's development in all key areas and guarantees its high competition level with respect to the other players in the market.
2. The adjustment of the internal organisational structure that will ensure the correct functioning of the business processes within the Capital Group KĘTY.
   Since 2000 the Capital Group KĘTY has consistently and decidedly implemented all assumptions of its internal policy, owing to which the organisation can immediately react to all changes occurring in the outside world and to quickly adjust to the new conditions. The restructuring activities are directly translated into lower costs of operational activity, increased efficiency, and that in turns enhances the Group's ability to compete in the Polish market and in the demanding foreign markets.
3. The staff competence levels as well as the employment structure that guarantee the meeting of the demands made by the fast developing market.
   The success of the Capital Group depends partly on the work of the managerial staff and partly on the ability to keep and to motivate the highly qualified personnel. The loss of the services provided by qualified and experienced staff may negatively influence the functioning of the Group. Therefore, the Group has implemented a well-developed policy of recruitment and keeping of the key and the most valuable employees, whose efforts directly translate into the success of the Capital Group.

2.7. Development directions of the Capital Group

The development strategy of the Capital Group KĘTY is directed at the consistent strengthening of its position in its most valuable segments, i.e. the Flexible Packaging Segment, the Extruded Products Segment and the Aluminium Systems Segment, which is a natural extension of the technological process implemented in the Extruded Products Segment in the value adding chain. All of the restructuring, organisational and investment activities of the Capital Group KĘTY in the 1st half of 2005 concentrate on the development in those three strategic segments.

Following the Capital Group strategy planned until 2009, the Management Board shall aim at initiating capital investments of great importance to the Company, both in the Flexible Packaging Segment and in the Extruded Products Segment. According to the Company's Management Board the total estimated capital investment outlays may reach ca. PLN 550 – 750 million and they will be financed both from own resources and externally. The capital investments may relate both to entities at home and abroad.

The aim of the planned capital investments is to strengthen the position of Grupa KĘTY S.A. in the Polish and foreign markets in areas currently covered by the Company and closely connected with aluminium processing. The strategy of Grupa Kęty S.A. announced last year includes the intention of the Management Board to enter a new scope of activity – production of rolled aluminium products. The rolled aluminium products constitute a large part of the aluminium product market, and the level of their consumption is growing. At present it is estimated that the Polish market consumes ca. 145

thousand tons of such products, out of which the only Polish producer – Aluminium – Impexmetal Konin covers 30% of the demand. During the effectiveness period of the strategy, i.e. by the year 2009 the Capital Group is planning to spend ca. PLN 200 – 250 million on the organic growth of all the segments of activity.

In the 1st half of 2005 three investment projects have been prepared concerning potential capital expenditure in Europe and outside of Europe. The estimated value of the capital expenditure, provided all the negotiations succeed, for all these projects shall amount to ca. PLN 100 million. It has been foreseen that the projects shall be completed by the end of 2005

In the 1st half of 2005 major material investments were continued within the Capital Group started in 2004, with the total value amounting to ca. PLN 130 million. Almost PLN 60 million was devoted to broadening the assortment of aluminium profiles in the EPS in Grupa KĘTY S.A. The investment is planned to be complete at the turn of the 3rd and 4th quarter of 2005. Nearly PLN 30 million was spent used to include the products with flexo prints in the assortment of the FPS in Alupol sp. z o.o.and within RUN-PAK sp. z o.o., the company founded in February 2005. For the most part, the expenditure will be connected with purchases of modern technologies and devices that will directly influence the broadening of the production assortment and the maintenance of the high quality of the products. The material investments were realised at the turn of 2004 and 2005 in accordance with accepted budget assumptions. The new plant in Alupol sp. z o.o. was started up in the 1st quarter of 2005, and the investment made in the EPS has been done in stages with the completion deadline foreseen for the turn of the 3rd and 4th quarter.

In 2004 in Ukraine the Alupol company was founded. In the 2nd half of 2005 within this company construction of a new plant of aluminium profiles shall be started. A new press with the capacity of 1,800 tons shall be installed in this plant. The planned start up of the plant has been scheduled for the 1st quarter of 2006 The production of the new plant shall be addressed at the Ukrainian, Russian and Belorussian markets. The planned cost of the investment shall amount to PLN 31 million.

On March 2, 2005 RUN-PAK sp. z o.o. was registered, a company active in the segment of flexible packaging with the Flexo printing, focused on the domestic customers. On March 4, 2005 the company share capital was increased to PLN 1 million, and on August 24, 2005 to PLN 8 million. Grupa KĘTY S.A. owns 99.87% shares of the RUN-PAK sp. z o.o. .

A/ Grupa KĘTY S.A.

The Flexible Packaging Segment

In the Flexible Packaging Segment special emphasis is still put on contacts with clients and creating durable and loyal relationships between the clients and the Capital Group. The activities initiated here met with a positive response and the Group increased its share in the flexible packaging market, in spite of the increasingly aggressive competition from the Polish and foreign manufacturers. The actions taken has achieved their assumed result and the Group keeps increasing its share in the flexible packaging market, despite the very agressive Polish and foreign competition. As of today Grupa KĘTY S.A. is Poland's leader in the market of flexible packaging materials. The Segment's market position must be considered stable. In the 1st half of 2005 the chief efforts still concentrated on servicing large international concerns. New investments in the machine park and capital takeovers shall be an important factor contributing to the long-term development of the Segment. In the years 2004 - 2005 the FPS has designated ca. PLN 50 million for material investments, out of which almost half was spent for the construction of the production plant in Alupol sp. z o.o. in Tychy. By the end of 2004 the FPS started up the production of a new product, a packaging with flexo print, supplementing the current product offer of the Capital Group. The starting up of flexo printing enabled the Group to enter new, yet unexplored markets. In the 1st half of 2005 the FPS was extended by a new company, i.e. RUN-PAK sp. z o.o.. The company is active in the Flexo printing business, supplementing the offer of the FPS in the area of Flexo printing on the laminates for butter, margarine and ice cream cones. Its customers include dairy plants, and fat, meat, spices and ice cream producers. The ice cream cone wraps has become the flagship product of the company, produced by this company from the beginning to the end product (laminate production, printing, cutting out, gluing). RUN-PAK sp. z o.o. is one of the three Polish producers of this type of laminate. The production is very profitable, so the company is planning large investments in this area, aimed at becoming the leading producer of the ice cream cone wraps in the Polish market.

The Extruded Products Segment

The strategy adopted in the Extruded Products Segment is determined by the dynamic market development. The construction of a new press shop in the Special Enterprise Zone in Tychy as well as the purchase of new modern presses considerably increased the capacity and technological possibilities of the Company with respect to satisfying the needs of the current and the future customers. The strategy assumptions define the directions of the Segment's further development and concentrate on the most growing businesses, such as construction, automotive, and white goods. They also provide for internal activities ensuring greater efficiency and utilisation of the new machine park.

In 2004 investments were started in the EPS, the value of which exceeds PLN 60 million. Over PLN 58 million was used to buy two modern presses (a backward press for hard alloys with the capacity of 2800 tons as well as a press for small-size soft alloys with the capacity of 1600 tons), and a new anodising plant. The final stage of the investment (starting up the anodising plant) has been scheduled for the turn of the 3rd and 4th quarter of 2005. The planned investments will allow the broadening of the product assortment to include special profiles made of hard alloys, which are sold mainly to the EU countries as well as the small-size soft profiles offered to recipients at home. Thanks to the new anodising plant the Capital Group shall increase the anodising capacity, in proportion to the increased volume of produced profiles, as well as increase the quality of the services offered.

B/ Metalplast-Bielsko S.A.

The related Aluminium Systems Segment has continued its involvement in development and investment activities, which already brings positive results in the form of the segment's growing share in the domestic aluminium joinery market. At present, Metalplast-Bielsko S.A.'s efforts concentrate on the technical side of their products, which shall allow the company to offer its clients a full range of products with versatile application possibilities; they also concentrate on the customer service area. The future goals include extending the sales market to the East and to Germany. In 2004 the Company obtained the relevant certificates and licenses allowing it to enter the German market and to intensify its sales there. The is not planning any asset or capital investments in the nearest future. Further development of the Company shall be achieved by means of increasing own production volume and systematically increased network of agencies and trade companies. The Company already has three sales agencies in Russia and trade companies in Ukraine (Metalplast Ukraine) and Hungary (Metalplast Zalur). New companies were registered, i.e. Metalplast-Deutschland GmbH in January 2005 and Metalplast Romania s.r.l. in May 2005. The company is planning to open more new sales agencies in 2005.

C/ Alupol Sp. z o.o.

The company's operation is to a great extent determined by the operations in the FPS and the ASS. In the 1st half of 2005 the Company's key efforts concentrated on increasing the efficiency and the use of the existing production resources as well as on the completion of the new production plant project for the FPS.

D/ Alutech Sp. z o.o.

During the 1st half-year of 2005 intensive restructuring efforts were continued in the company. The chief strategic areas were defined, focusing their scope of activity on meeting the needs revealed by the Capital Group member companies. No significant capital expenditure has been anticipated for the year 2005.

2.8. Transactions within the Capital Group

	Metalplast - Bielsko S.A.	Alupol Sp. z o.o.	Alutech Sp. z o.o.	Aluform Sp. z o.o.	Dekret Sp. z o.o.	Celtech Sp.z o.o.(*)	RUN-PAK Sp. z o.o.	Metalplast Zalur	Metalplast Stolarka	ZRE Sp. z o.o.
Sale	25,243	61,222	974	1	114	943	176	13	3	2
Purchases	5,153	14,740	11,766	-	644	-	-	-	45	-
Receivable interests	2	28	-	-	-	-	-	-	-	-
Receivable	13,075	16,225	62	-	23	3,620	67	5	-	-
Liabilities	1,572	8,257	2,099	-	127	-	-	22	79	-

Relevant exclusion of the mutual inter-company sales was taken into consideration while preparing the consolidated financial statements of the Capital Group.

2.9. Activities relating to subsidiaries and affiliates of Metalplast-Bielsko S.A.

As of June 30, 2005 Metalplast-Bielsko S.A. had shares in the following companies as a parent company:

1) Metalplast-Stolarka Sp. z o.o. - 100%
2) Zakład Remontowo-Energetyczny Metalplast-Bielsko Sp. z o.o. - 69.55%
3) Metalplast-Zalur Sp. z o.o. - 100%
4) Metalplast-Ukraine - 100%
5) Metalplast-Deutchland GmbH - 100%
6) Metalplast-Romania s.r.l. - 100%
7) IMPET Sp. z o.o. - 70.00%
8) MERZT Sp. z o.o. (subsidiary of Metalplast-Stolarka Sp. z o.o.) - 100%

Metalplast-Stolarka Sp. z o.o.

The company successfully competes with the industry's leading companies in the area of design, supplies and assembly of aluminium and glass constructions. In the first half-year of 2005 the company supplied its products for large construction investments, it also sold window and door joinery based on small and medium-size orders The opening of Salon Sprzedaży Okien i Drzwi MERTZ (Window and Door Sales Centre) in next Polish cities and in the Czech Ostrava was an important landmark in the company's operation.

In view of the general condition of the construction industry and in particular the radical slowing down of the construction sector, the company's receipts have been satisfactory.

ZRE Metalplast-Bielsko Sp. z o.o.

During the first half-year of 2005 the Company provided services to Metalplast-Bielsko S.A. relating to maintenance, manufacture of accessories for their system sales, manufacture of tools, overhaul of

machines and devices, manufacture of wooden packaging materials, paint shop modernisation works as well as provided services to external clients relating to assembly of aluminium elements and steel constructions, electrical and water installations, welding, and dealer machine overhauls.
The company's future prospects are promising as it is able to provide a broad range of services both to the Group members and to third-party clients.

Metalplast - Zalur
The company sells the Spectral and MB systems in Hungary and the neighbouring countries. It consistently introduces new systems and products of Metalplast-Bielsko S.A. in their target markets. The company's marketing efforts in the architect milieu allowed it to extend its area of operation and to gain new clients, who had earlier cooperated with its competitors.
On October 1, 2004 Metalplast-Bielsko S.A. purchased 40% of Metalplast-Zalur from the former shareholders and thus became the owner of 100% of the share stock, representing 100% votes in the General Meeting of Shareholders.

Metalplast-Ukraine
The company sells the Spectral and MB systems in Ukraine. Since 2004 they have shown a significant sales increase thanks to completion of big investment contracts in the territory of Ukraine. The Kiev airport contract remains their largest project in Ukraine.

Metalplast-Deutchland GmbH
The company was founded by the end of 2004 in Dusseldorf. In May 2005 the company was reshuffled to Hambergen near Bremen, due to the vicinity of the sales agency. The activity of Metalplast-Deutchland focuses on taking over new system customers, cooperation with contractors during investment works and the technical service. In the nearest future – because of the growing turnover – the company is planning to open a warehouse.

Metalplast-Romania s.r.l.
The company was founded at the beginning of 2005. Its activity focuses on serving the private customers, and party public institutions, such as banks, schools and hospitals. By means of initiating close cooperation with the architect circles the company intends to promote the systems of Metalplast-Bielsko S.A. and to become a significant distributor in the Romanian market.

IMPET Sp. z o.o.
The company IMPET sp. z o.o. is an official distributor of steel systems of Forster, a Swiss company belonging to the AFG Arbonia-Forster-Group, with the annual turnover exceeding CHF 1 billion. IMPET sp. z o.o. has been active in this business for two years, and its last-year revenues from sales and commercial commissions amounted to PLN 1.5 million. The take over of the company from Chorzów means for Metalplast-Bielsko S.A. reaching a new and very prospective segment of the market, with the estimated annual value of PLN 30-40 million and the increasing trend. Steel systems are increasingly more frequently used in building construction projects with more stringent fire safety requirements. This applies both to the facades and the internal walls.

MERZT s.r.o. (subsidiary of Metalplast-Stolarka Sp. z o.o.)

This is the first foreign sales showroom centre of window and door joinery, opened in the Czech Ostrava. The company counts on its professional personnel, comprehensive and professional advise in the purchasing process and professional service.

2.10. Contracts significants for the operation of the Capital Group Grupa KĘTY S.A. in the 1st half of 2005

On January 19, 2005 the Company concluded a supply contract with Rual Trade Limited (subsidiary of RUSAL) for deliveries of the primary aluminium in 2005.

On May 30, 2005 the Metalplast-Bielsko S.A. subsidiary concluded a supply contract with Ferrovial Agroman SA, Branch Poland, for delivery and assembly of the complete facade system for the international airport Warsaw Okęcie. The total value of the contract amounts to ca. PLN 35 million. The contract shall be completed by the end of the 1st half of 2006

3. Investments

The value of investment outlays in the 1st half-year of 2004 and of 2005 has been presented below, in thousand PLN:

Specification	1st half of 2004	1st hal f of 2005	change
Total capital expenditure in thousand PLN	13.877	68.272	508%

The investment activities during the first half-year of 2005 were based on the completion of the following main tasks:

A/ Grupa KĘTY S.A.
- Increasing the production capacity of the EPS (purchase of new presses: 1600T, 2800T and the new anodising plant)
- Increasing the production capacity of the printing instrumentation
- Investments concerning general objectives of the Company

B/ Alupol Sp. z o.o.
- Construction of a new FPS plant (paper and plastic foil metallisation, Flexo printing house)

C/ RUN-PAK Sp. z o.o.
- Providing capital and activating the operation of the company.

The investment outlays planned in the Capital Group for the period of 12 months from the balance date shall amount to PLN 89.804 thousand.

Capital expenditure planned for the period January- December 2005

A) The Flexible Packaging Segment	18.863
B) The Extruded Products Segment	58.410
C) The Aluminium Systems Segment	3.890
D) Investments concerning the general tasks of the Company	8.641

Total investment tasks	**89.804**

4. Financial Condition of the Capital Group KĘTY

4.1. Consolidated statement of the Capital Group Grupa Kęty S.A.

A synthetic picture of the economic and financial condition of the Capital Group KĘTY is presented by the following consolidated financial statements:

- the balance sheet
- the profit and loss account
- the cash flow statement

Balance

The consolidated balanced sheet was closed as of 30 June, 2005 with an amount of PLN 787,363 thousand on the side of liabilities and assets. The balance sum of the Group increase by ab. 6% in comparison to the value for June 30, 2004. The structure of assets and liabilities is stable and within the last 12 months no significant changes were noted, which might weaken the Group's financial condition and its ability to fulfil its obligations.

The profit and loss account

The Group's net sales revenue decreased by ca. 16% compared to June 30, 2004. The operating profit decreased by 25%, amounting to PLN 48.087 thousand.
In the 1st half-year of 2005, the Capital Group KĘTY earned a net profit of PLN 45.220 thousand, which was by 13.3% lower than the net profit earned in the first half-year of 2004.

The weaker market condition after the higher demand caused by the internal demand preceding the Poland's accession to the EU, has not been possible to compensate by means of intensifying sales to the key accounts and increasing the exports sales. The Capital Group achieved lower sales results and lower profits. The Management Board foresees that in the 2nd half of 2005 the Capital Group should achieve the net profit at the level needed for making the budget of the year 2005

The cash flow statement

In the 1st half of 2005 the cash flow on operational activity reached PLN 61,155 thousand. The level of cash from operational activity was most strongly affected by: the net profit, depreciation and the change in short-term receivables and short-term liabilities, excluding bank loans.
The Group's investment activities brought a negative balance in the amount of PLN 46,000 thousand. In the 1st half-year of 2005 the Group assigned over PLN 46,979 thousand for material and legal values and to the purchase of tangible fixed assets.

The balance of the financial activity was also negative and amounted to PLN 14,973 thousand. In the first half-year of 2005 the Group took credits (apart from revolving credits) for the amount of approx. PLN 14.4 million and repaid approx. PLN 27.6 million of credits together with interest.

The net cash flow as of June 30, 2005 amounted to PLN 182 thousand. The cash position as of June 30, 2005, taking into consideration the cash at the beginning of the reported period amounted to PLN 12,636 thousand.

4.2. Information about credits, loans and guarantees given

As of 30 June 2005, the Group's debt on account of credits and long-term loans amounted to PLN 46,000 thousand.
As of 30 June 2005, the Group's debt on account of credits and short-term loans amounted to PLN 27,033 thousand.
As of 30 June 2005 there were no unpaid advance payments, credits, loans, guarantees, securities or other agreements, obliging to payments to the benefit of Grupa KĘTY S.A, its subsidiaries or associates, or granted by Grupa KĘTY S.A. and its subsidiaries and associates, to managing and supervising persons as well as their spouses, relatives and other persons they have personal relations to.

4.3. Information about loans and guarantees given to third parties

As of June 30, 2005 Grupa KĘTY S.A. and its subsidiaries have not granted any loans, guarantees or warranties to third parties.

4.4. Ratio analysis

The consolidated evaluation of the economic and financial condition of the Capital Group was performed by means of the ratio analysis investigating the trends in the value of the basic ratios relating to profitability, liquidity and debt.

No.	Type of ratio	30 June 2005	30 June 2004
1	Return on assets (ROA)	5.8%	7.1%
2	Return on equity (ROE)	8.2%	10.2%
3	Liquidity ratio I	1.9	1.6
4	Liquidity ratio II	1.2	1.0
5	Liquidity ratio III	0.2	0.1
6	Receivables turnover ratio	73 days	66 days
7	Inventory turnover ratio	48 days	52 days
8	Short-term liabilities turnover ratio	80 days	89 days
9	General debt ratio	29.4%	31.2%
10	Debt to equity ratio	0.42	0.45
11	Long-term debt ratio	10.2%	4.2%
12	The ratio of financing of the fixed assets coverage with equity	1.09	1.21
13	Net profitability on operating activity	14.0%	15.5%
14	Net profitability	13.2%	12.8%

Ratio definitions:
1. Return on assets (ROA) – net income/ total assets.
2. Return on equity (ROE) – net income/ total equity .
3. Liquidity ratio I – current assets/ short-term liabilities;
4. Liquidity ratio II – (current assets – inventory)/ short-term liabilities.

5. Liquidity ratio III – cash and short-term securities/ short-term liabilities.
6. Receivables turnover ratio – (short-term receivables/ net revenue) x 182,5.
7. Inventory turnover ratio – (inventory/ net revenue) x 182,5.
8. Short-term liabilities turnover ratio – (short-term liabilities / net revenue) x 182,5.
9. General debt ratio – long-term and short-term liabilities/ total assets.
10. Debt to equity ratio – long-term and short-term liabilities/ equity.
11. Long-term debt ratio – long-term debt/ total assets.
12. The ratio of financing of the fixed assets coverage with equity – equity/ fixed assets.
13. Net profitability on operating activity – net profit operating activity / total operating income
14. Net profitability – net profit/ total operating income

The ROA and ROE ratios decreased due to the lower net profit than in the corresponding period of 2004. The receivables turnover ratio increased slightly, while the inventory and liabilities turnover ratios decreased. The Capital Group shall continue searching the most beneficial structure of current assets and short-term liabilities, which will guarantee the efficient use of those elements of assets and liabilities.

The liquidity ratios (which, in accordance with the world standards, ought to be showing the following tendencies: the first one – 1.5 – 2.0, the second one above 1.0 and the third one between 0.2 – 0.5) should be considered correct.

The general debt ratio still remains on a safe level of below 60%. The debt to equity ratio has fallen, while the long-term debt ratio has increased due to the change in the debt structure. The ratio of financing of the fixed assets by means of equity remains on the expected level above 1. The profitability on operating activity has decreased, while the net profitability has increased.

4.5. Profit distribution for 2004

A/ Grupa KĘTY S.A.

The Ordinary General Meeting of Shareholders assembled on May 10, 2005, passed the resolution to distribute the profit for the previous year at the amount of PLN 80,956,708.53 in the following way:

- the amount of PLN 36,902,652.00 for the dividend for the shareholders at PLN 4 per one share;
- the amount of PLN 20,000.00 for the payment service of the dividend by the National Depository of Securities;
- the amount of PLN 44,034,056.53 for the capital reserve.

B/ Metalplast-Bielsko S.A.

The Ordinary General Meeting of Shareholders assembled on April 5, 2005 distributed the profit for 2004, using the total profit at the amount of PLN 15,335,056.99 for the dividend for the shareholders.

C/ Alupol Sp. z o.o.

The Ordinary General Meeting of Shareholders assembled on June 27, 2005, distributed the profit for 2004 at the amount of PLN 25,951,475.14, using PLN 5,951,475.14 for the capital reserve and PLN 20,000,000.00 for the dividend payment.

D/ Alutech Sp. z o.o.

The Ordinary General Meeting of Shareholders assembled on June 16, 2005 resolved to exclude the net profit at the amount of PLN 1,119,109.40 from the distribution among the shareholders and to use it for covering the net loss from previous years, at the amount of PLN 770,846.10, and the amount of PLN 348,263.30 for the capital reserve.

E/ DEKRET Centrum Rachunkowe Sp. z o.o.

The Ordinary General Meeting of Shareholders assembled on April 15, 2005 resolved to give up the distribution of the net profit at the amount of PLN 95,621.53 among the shareholders, and out of this amount use PLN 75,621.53 for covering the loss from previous years, and the remaining part at the amount of PLN 20,000 to contribute to the company social benefits fund (ZFŚŚ). The remaning part of the profit at the amount of PLN 69,548.49 shall be distributed among the shareholders and used for the dividend payment.

F/ Aluform Sp. z o.o.

The Ordinary General Meeting of Shareholders assembled on June 10, 2005 resolved to cover the loss for 2004 at the amount of PLN 3,182.66 with the company profit from the coming years.

G/ Alupol LLC Sp. z o.o.

The company was not in operation in 2004.

4.6 Management Board Statement

The Management Board hereby declares that, according to its best knowledge, the half-year financial statement and the comparable data have been prepared pursuant to the binding accounting principles and that they present a true and fair view of the Issuer and the Issuer's assets, financial standing and result and that the Management Board's report presents a true description of the Issuer's development, accomplishments and standing, including the description of main risks and threats.

The Management Board hereby declares that the entity authorized to audit the financial statement, reviewing the interim financial statement, has been selected according to the law and that the entity and certified auditors performing the audit conformed to the requirements for the issue of an impartial and independent audit report, pursuant to the respective domestic law.

Dariusz Mańko *President of the Management Board*	Michał Malina *Member of the Management Board*

Kęty, September 14, 2005