CAPITAL GROUP GRUPA KĘTY S.A.

CONSOLIDATED INTERIM FINANCIAL STATEMENT FOR THE FIRST QUARTER OF 2006 ENDED 31 MARCH 2006 PURSUANT TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

Consolidated quarterly report of Capital Group Grupa Kęty S.A. for the reporting period from 1 January 2006 to 31 March 2006, including:

- consolidated financial statement of Capital Group Grupa Kęty S.A. for the reporting period from 1 January 2006 to 31 March 2006, and as at 31 March 2006, including: balance sheet, profit and loss account, statement of changes in consolidated shareholder's equity, cash flow statement;
- comparative financial data as at 31 December 2005, 31 December 2005 and for the period of 3 months ended 31 March 2005;
- notes and other information provided for in the Council of Ministers Ordinance dated 19 October 2005 on the current and periodical information to be submitted by issuers of securities;
- condensed financial statement of Capital Group Grupa Kęty S.A. for the reporting period from 1 January 2006 to 31 March 2006, including: balance sheet, profit and loss account, statement of changes in consolidated equity, cash flow statement and comparable data.

The Issuer, pursuant to § 87.1 of the Council of Ministers Ordinance dated 19 October 2005, does not submit a separate quarterly individual financial statement. The quarterly individual financial statement of Grupa „Kęty" S.A. is filed as a supporting document to the consolidated financial statement.

Consolidated balance sheet as at 31 March 2006

ASSETS	31.03.2006	31.12.2005	31.03.2005
I. Non-current assets	**604 870**	**514 425**	**476 012**
Property, plant and equipment	511 525	491 707	464 141
Intangibles	79 499	8 873	9 455
Investment property	13 839	13 838	2 409
Other investments	7	7	7
II. Current assets	**364 383**	**344 651**	**282 103**
Inventories	123 035	129 192	91 197
Income tax receivable	8 050	5 325	0
Trade and other receivables	207 306	179 914	164 660
Assets classified as held for sale	708	708	708
Derivative and financial instruments	1 861	5 118	845
Cash and cash equivalents	23 423	24 394	24 693
Total assets	**969 253**	**859 076**	**758 115**

EQUITY AND LIABILITIES	31.03.2006	31.12.2005	31.03.2005
I. Equity	**623 650**	**614 628**	**580 757**
Issued capital	66 964	66 964	66 214
Other reserve capital	(144)	0	750
Retained earnings	554 905	545 783	512 048
Translation reserve	(103)	(56)	(136)
Equity attributable to shareholders of the parent	**621 622**	**612 691**	**578 876**
Minority interest	2 028	1 937	1 881
II. Non-current liabilities	**39 385**	**19 926**	**46 445**
Interest bearing loans and borrowings	20 181	1 930	32 504
Provisions	2 467	1 859	1 116
Employee benefits	12 250	11 421	8 797
Government grants	95	101	0
Deferred tax liabilities	4 392	4 615	4 028
III. Current liabilities	**306 218**	**224 522**	**130 913**
Interest bearing loans and borrowings	207 464	119 371	52 995
Current tax payable	155	2 504	1 705
Trade and other accounts payable	92 304	95 295	65 063
Provisions	5 671	3 988	9 368
Derivative and financial instruments	599	3 339	1 708
Government grants	25	25	74
Total equity and liabilities	**969 253**	**859 076**	**758 115**

Consolidated profit and loss account for the period of 3 months of 2006

INCOME STATEMENT	from 01.01.2006 to 31.03.2006	from 01.01.2005 to 31.03.2005
Total operating revenues including:	**228 019**	**167 808**
Revenue from sales	224 144	166 151
Other operating revenue	3 875	1 657
Change in finished products and work in progress	4 845	(11 140)
Costs of manufacturing products for internal use	1 574	1 236
Total operating expenses including:	**(223 038)**	**(138 352)**
Depreciation	(10 930)	(8 522)
Materials and energy	(158 315)	(101 337)
External services	(13 626)	(3 814)
Taxes and charges	(1 899)	(1 538)
Employee benefits	(24 775)	(19 539)
Other operating expenses	(13 493)	(3 602)
Profit on sales	**11 400**	**19 552**
Financial revenues	2 018	4 437
Financial costs	(3 187)	(3 364)
Profit before tax	**10 231**	**20 625**
Income tax	(940)	(3 145)
Net profit	**9 291**	**17 480**
Attributable to minority interest	91	103
Attributable to the shareholders of the parent	**9 200**	**17 377**
Basic and diluted earnings per share	**1,00**	**1,88**

Consolidated statement of changes in shareholders' equity for the period of 3 months of 2006

	Attributable to the shareholders of the parent							Minority interest	Total equity
	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Translation reserve	Total		
As at 1 January 2006	**66 964**	**0**	**0**	**0**	**545 783**	**(56)**	**612 691**	**1 937**	**614 628**
Foreign exchange differences on translation of foreign subsidiaries	0	0	0	0	0	(47)	**(47)**	0	**(47)**
Profit for the period	0	0	0	0	9 200	0	**9 200**	91	**9 291**
Total recognised income and expenses for the period	**0**	**0**	**0**	**0**	**9 200**	**(47)**	**9 153**	**91**	**9 244**
Net loss on cash flow hedging	0	0	0	(144)	0	0	**(144)**	0	**(144)**
Other	0	0	0	0	(78)	0	**(78)**	0	**(78)**
As at 31 March 2006	**66 964**	**0**	**0**	**(144)**	**554 905**	**(103)**	**621 622**	**2 028**	**623 650**

	Attributable to the shareholders of the parent							Minority interest	Total equity
	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Translation reserve	Total		
As at 1 January 2005	**80 179**	**(71 108)**	**43 453**	**750**	**508 361**	**47**	**561 682**	**1 872**	**563 554**
Foreign exchange differences on translation of foreign subsidiaries	0	0	0	0	0	(183)	**(183)**	0	**(183)**
Profit for the period	0	0	0	0	17 377	0	**17 377**	103	**17 480**
Total recognised income and expenses for the period	**0**	**0**	**0**	**0**	**17 377**	**(183)**	**17 194**	**103**	**17 297**
Registration of shares in "D" series	0	0	0	0	0	0	**0**	0	**0**
Redemption of treasury shares	(13 965)	71 108	(43 453)	0	(13 690)	0	**0**	0	**0**
Purchase of subsidiaries	0	0	0	0	0	0	**0**	(94)	**(94)**
									0
As at 31 March 2005	**66 214**	**0**	**0**	**750**	**512 048**	**(136)**	**578 876**	**1 881**	**580 757**

Consolidated cash flow statement for the period of 3 months of 2006

Cash flow	from 01.01.2006 to 31.03.2006	from 01.01.2005 to 31.03.2005
Cash flows from operating activities		
Profit before tax	**10 231**	**20 625**
Total adjustments:	**18 114**	**5 550**
Depreciation and amortization	10 930	8 514
Impairment loss (reversal)	534	(3 235)
(Gain) on f/x differences	(218)	159
(Gain) on investment activities	67	(105)
(Gain) / loss on disposal of fixed assets	(302)	67
Interest and dividends received, net	1 410	941
Other items net	5 693	291
Cash flows from operating activities before change in working capital	***28 345***	***26 175***
Change in inventory position	6 157	29 762
Change in balance of receivables, net	35 364	(14 384)
Change in short-term liabilities, excluding borrowings	(38 661)	(17 455)
Change in provisions	2 897	3 569
Change in deferred income	(6)	(21)
Net cash generated from operating activities	***34 096***	***27 646***
Income tax paid	(6 465)	(5 094)
Net cash from operating activities	**27 631**	**22 552**
Cash flows from investing activities		
(+) Inflows:	*694*	*546*
Disposal of intangible and tangible fixed assets	98	510
Disposal of financial assets	596	18
Dividends received	0	0
Other inflows	0	18
(-) Outflows:	*(112 717)*	*(29 510)*
Acquisition of intangible and tangible fixed assets	(16 052)	(29 510)
Acquisition of financial assets	(663)	0
Acquisitions of susbsidiaries	(96 002)	0
Other outflows	0	0
Net cash from investing activities	**(112 023)**	**(28 964)**
Cash flows from financing activities		
(+) Inflow:	96 166	21 781
Net proceeds from shares issue	0	10
Proceeds from borrowings	96 166	21 748
Other inflow	0	23
(-) Outflow:	(12 889)	(11 112)
Dividends and other payments due to owners	0	0
Other outflow due to distribution of profit, other than payments to owners	0	0
Repayment of borrowings	(11 284)	(9 859)
Finance lease payments	(197)	0
Interest paid	(1 408)	(1 253)
Other outflow	0	0
Net cash from financing activities	**83 277**	**10 669**
Total net cash flow:	**(1 115)**	**4 257**
- effects of exchange rate changes on cash	(17)	250
Opening balance of cash and cash equivalents	**12 714**	**17 423**
Closing balance of cash and cash equivalents	**11 582**	**21 930**

* For the purpose of the profit and loss account, overdraft facilities decrease cash.

1. Statements and the format of this financial statement

Declaration of compliance with IFRS

This consolidated financial statement has been prepared according to the International Financial Reporting Standards ("IFRS") and to respective IFRS adopted by the UE. IFRS include standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").
Individual financial statement of Capital Group Grupa Kęty S.A., which forms part of this report, has also been prepared according to the above mentioned principles.

The financial figures as at 31 March 2006 and for the period of 3 months ended with this date have not been audited. The comparable financial figures as at 31 March 2005 included in this consolidated financial statement also were not subject to auditor's examination. Only comparable financial figures as at 31 December 2005 (the last financial year) were audited.

Financial statement format

This consolidated financial statement has been prepared on the basis of the historical costs concept, except for the revaluation, at fair value, of derivative financial assets held for sale.

The preparation of the financial statement according to IFRS requires the preparation of estimates and assumptions which affect the amounts disclosed in this financial statement. Although the adopted estimates and assumptions are based on the best knowledge of the Management Board of the current events and action, real results may differ from the estimates.

This consolidated financial statement has been prepared in thousands of Polish zloty ("PLN thousand").

Accounting principles

For the purpose of this interim financial statement, the same accounting principles, methods and applications were applied as in the last annual financial statement.
In the first quarter of 2006, as compared to the last financial year, the Group began to apply hedge accounting. Detailed hedge accounting issues were described in section 2 hereof.

2. Basic accounting principles (accounting policy)

Basic accounting principles (accounting policy) applied for the preparation of this financial statement have been described in detail in the consolidated annual report for 2005 submitted to the Securities and Exchange Commission (KPWiG) on 11 April 2006.

Besides the principles described in the annual report, starting from the reporting periods commencing in 2006, the Group began to enter into cash flow hedging transaction which meet the requirements of hedge accounting.

For the above mentioned transactions, the Group applies the following principles:

The main goal of entering into forwards as well as into options on the currency market is hedging the exchange risk resulting from operating, investing and financial activities.

Derivatives are introduced at cost, measured as at the balance sheet date at fair value and recognized in the financial statement as financial assets or financial liabilities. Gains and losses on the measurement of financial instruments at fair value which fail to meet the hedge accounting rules are recognized directly in the profit and loss account. Fair value of options or non-quoted forwards is calculated at the present net value of future cash flows related to these

contracts, quoted market forwards market prices, calculated against the present interest rates. Derivatives not qualifying as hedging instruments are entered into books as instruments held for trading.
Fair value of currency forwards is determined by reference to present forward rates for contracts with similar maturities.
The hedging of the exchange risk of a firm commitment is settled as cash flow hedging.
Upon the establishment of such hedging, the Group officially determines and documents hedging relation, as well as the purpose of risk management and the strategy of determining the hedge. The documentation identifies the hedging instrument, the hedged item or transaction, the nature of the hedged risk and the method of the assessment of hedging instrument effectiveness in compensating for the risk of changes in fair value of the hedged item or cash flows related to the hedged risk. The hedging is expected to be highly effective in compensating for changes in fair value or cash flows resulting from the hedged risk. The hedge effectiveness is assessed on an ongoing basis to find out if it is highly effective in all reporting periods in which the hedge was established.

Hedging instruments can be divided into:

Interments hedging fair value

They reduce the risk of changes in fair value of an asset or liability (or parts thereof) or a future commitment recognized in the balance sheet; they may be assigned to a specific type of risk related to this component. Furthermore, they affect the recognized net profit or loss.

Gains and losses resulting from changes in fair value of the hedging instrument in the ineffective part are accounted for as financial income or expense in the period they were generated.
Gains and losses resulting from changes in fair value of the hedging instrument in the effective part are accounted for in the profit and loss account item with respect to the recognition of changes of fair value of the hedged item.
Gains or losses related to the hedged item, resulting from the hedged risk, adjust the value of the hedged item and are recognized in the profit and loss account.

Instruments hedging cash flows

They reduce the volatility of cash flows; are assigned to a specific risk with a recognized asset or liability or a highly probable expected future transaction. Furthermore, they affect the recognized net profit or loss.
Gains and losses resulting from changes in fair value of the cash flow hedging instrument are accounted for in a separate item of shareholders' equity, in such a part in which a given instrument provides an effective hedging for the related hedged item. The ineffective part is charged to the profit and loss account.
The Group, under the hedge accounting, applies instruments hedging future cash flows. The designated hedges are associated with the foreseen transactions included in the sales budget for a given year. The Group, on the basis of its experience, is of the opinion that the probability of such transactions is extremely high.

The Group will cease to recognize derivatives as hedging instruments, if a derivative expires, is sold, realized or if the Group recalls the designation of a given instrument as a hedging instrument.
If the hedging of a future liability or expected future transaction ceases to function, then net gains or losses included in equity are carried forward to the profit and loss account.

3. The structure of the Capital Group

Grupa Kęty S.A. Capital Group is composed of the parent company and 17 subsidiaries.
Grupa Kęty S.A. is the parent company of the Capital Group Grupa KĘTY S.A.

No.	Company name	Registered office	Main operations	Parent company	Share (%) in the share capital and in the total number of votes	Date of taking control by Grupa Kęty SA
1.	Alupol Sp. z o.o.	Tychy, Poland	Production and trade in plastic packaging	Grupa Kęty S.A.	100.00 %	04/1998
2.	Metalplast — Bielsko S.A.	Bielsko-Biała, Poland	Manufacture of builders systems	Grupa Kęty S.A.	100.00 %	06/1998
3.	Alutech Sp. z o.o.	Kęty, Poland	Trade, production and services	Grupa Kęty S.A.	100.00 %	03/1999
4.	Dekret Sp. z o.o.	Kęty, Poland	Bookkeeping services	Grupa Kęty S.A.	100.00 %	09/1999
5.	Metalplast Karo Sp. z o.o.	Bielsko-Biała, Poland	Services	Metalplast-Bielsko S.A.	69.55 %	09/1999
6.	Celtech Sp. z o.o.	Kęty, Poland	Services	Alutech Sp. z o.o.	100.00 %	12/1999
7.	Metalplast-Ukraina Sp. z o.o.	Kiev, Ukraine	Trade activities	Metalplast-Bielsko S.A.	100.00 %	01/2000
8.	Aluform Sp. z o.o.	Kęty, Poland	Production activities	Grupa Kęty S.A.	100.00 %	04/2000
9.	„Metalplast-Zalur"Kft	Budapest, Hungary	Trade and production	Metalplast-Bielsko S.A.	100.00 %	07/2000
10.	Metalplast--Stolarka Sp. z o.o.	Bielsko--Biała, Poland	Manufacture of builders systems	Metalplast-Bielsko S.A.	100.00 %	07/2000
11.	Alupol LLC Sp. z o.o.	Borodianka, Ukraine	Production of aluminum profiles	Grupa Kęty S.A.	100.00 %	12/2004
12	„Run--Pak“ Sp. z o.o.	Toruń, Poland	Packaging production	Grupa Kęty S.A.	99.88 %	02/2005
13	Metalplast-Deutschland" GmbH	Dusseldorf, Germany	Trade and sale of aluminum systems	Metalplast-Bielsko S.A.	100.00	02/2005
14	Metalplast-Romania s.r.l.	Bucharest, Romania	Trade and sale of aluminum systems	Metalplast-Bielsko S.A.	100.00%	05/2005
15	Mertz s.r.o.	Ostrava, Czech Republic	Trade and sale of window and door joinery of aluminum and PVC	Metalplast Stolarka sp. z o.o.*	100.00%	05/2005
16	Impet sp. z o.o.	Chorzów, Poland	Trade in and sale of metal systems	Metalplast-Bielsko S.A.	70.00%	06/2005
17	Aluprof sp. z o.o.	Opole, Poland	Production activities – production of components for roller blinds and outside gates	Grupa Kęty S.A.	100%	02/2006

All companies of the Capital Group are included in the consolidated financial statement.

4. Selected financial figures

Data on consolidated financial statement according to IFRS

SELECTED FINANCIAL FIGURES	PLN '000		EUR '000	
	31.03.2006	31.03.2005	31.03.2006	31.03.2005
I. Net income from sales	224 144	166 151	58 071	41 379
II. Operating profit (loss)	11 400	19 552	2 954	4 869
III. Profit (loss) before tax	10 231	20 625	2 651	5 137
IV. Net profit (loss)	9 291	17 480	2 407	4 353
V. Net profit (loss) of the shareholders of the parent company	9 200	17 377	2 384	4 328
VI. Net operating cash flow	27 631	22 552	7 159	5 617
VII. Net cash flow on investing activities	-112 023	-28 964	-29 023	-7 213
VIII. Net cash flow on financial activities	83 277	10 669	21 575	2 657
IX. Total net cash flow	-1 115	4 257	-289	1 060
X. Total assets	969 253	758 115	246 272	185 644
XI. Liabilities and provisions for liabilities	345 603	177 358	87 812	43 431
XII. Long-term liabilities	39 385	46 445	10 007	11 373
XIII. Short-term liabilities	306 218	130 913	77 805	32 057
XIV. Equity of the shareholders of the parent company	621 622	578 876	157 944	141 753
XV. Share capital	66 964	66 214	17 015	16 214
XVI. Number of shares	9 225 663	9 225 663	9 225 663	10 500 780
XVII. Net profit (loss) of shareholders of the parent company per ordinary	1,00	1,88	0,26	0,47
XVIII. Dilluted profit (loss) share of the shareholders of the parent company pare ordinary share (in PLN/EUR)	1,00	1,88	0,26	0,47
XIX. Per share book value in PLN/EURO)	67,38	62,75	17,12	15,37
XX. Dilluted book value pare share (in PLN/EUR)	67,38	62,75	17,12	15,37
XXI. Declared or paid dividend pare share (in PLN/EUR)	4,00	4,00	1,02	0,98

Data on standalone financial statement according to IFRS

WYBRANE DANE FINANSOWE	31.03.2006	31.03.2005	31.03.2006	31.03.2005
I. Net income from sales	169 158	132 134	43 826	32 908
II. Operating profit (loss)	-1 374	5 861	-356	1 460
III. Profit (loss) before tax	8 085	5 994	2 095	1 493
IV. Net profit (loss)	8 619	4 629	2 233	1 153
V. Net operating cash flow	18 801	13 522	4 871	3 368
VI. Net cash flow on investing activities	-101 750	-18 277	-26 361	-4 552
VII. Net cash flow on financial activities	85 378	5 199	22 120	1 295
VIII. Total net cash flow	2 429	444	629	111
IX. Total assets	782 575	617 917	198 840	151 313
X. Liabilities and provisions for liabilities	300 394	168 789	76 325	41 332
XI. Long-term liabilities	29 996	59 387	7 622	14 542
XII. Short-term liabilities	270 398	109 402	68 704	26 790
XIII. Equity of the shareholders of the parent company	482 181	449 128	122 515	109 981
XIV. Share capital	66 964	66 214	17 015	16 214
XV. Number of shares	9 225 663	9 225 663	9 225 663	9 225 663
XVI. Net profit (loss) of shareholders of the parent company per ordinary	0,93	0,50	0,24	0,12
XVII. Dilluted profit (loss) share of the shareholders of the parent company pare ordinary share (in PLN/EUR)	0,93	0,50	0,24	0,12
XVIII. Per share book value in PLN/EURO)	52,27	48,68	13,28	11,92
XIX. Dilluted book value pare share (in PLN/EUR)	52,27	48,68	13,28	11,92
XX. Declared or paid dividend pare share (in PLN/EUR)	4,00	4,00	1,02	0,98

a) net income from sales of products, trade goods and materials, operating profit, gross profit, net profit and net operating cash flow, net investing cash flow, net financing cash flow and total net cash flow for Q1 2006 were calculated at the average rate of exchange for EURO according to the rate which is arithmetic mean of NBP exchange rates as at the last days of particular months of Q1 2006, i.e. PLN 3.8464;

b) net revenue from sales of products, trade goods and materials, operating profit, gross profit, net profit and net operating cash flow, net investing cash flow, net financing cash flow and total net cash flow for Q1 2005 were calculated at the average rate of exchange for EURO according to the rate which is arithmetic mean of NBP exchange rates as at the last days of particular months of Q1 2005, i.e. PLN 4.0153;

c) total assets, liabilities and provisions for liabilities, long-term liabilities, short-term liabilities, shareholders' equity and share capital as at 31 March 2006 were calculated at the average EURO exchange rate as at 31 March 2006, i.e. PLN 3.9357;

d) total assets, liabilities and provisions for liabilities, long-term payables, short-term payables, shareholders' equity and share capital as at 31 March 2005 have been calculated based on the average exchange rate of EURO as at 31 March 2005, i.e. PLN 4.0837.

In the reporting period, i.e. from 01.01.2006 to 31.03.2006, the minimum and maximum exchange rate was at the level of PLN 3.7565 on 20 February 2006 and PLN 3.9617 on 29 March 2006.

5 The following events were considered when determining consolidated financial result for first quarter of 2006

The result on change in deferred tax asset/liability was adjusted by PLN 657 thousand (increase).
The following events were considered when determining result for first quarter of 2006:

When determining the result for the first quarters of 2006, the result was increased by the reversal of: (in PLN thousand):	
- provision for Q4 FY05 bonus costs	742
- provision for environmental protection costs	134
- provision for warranty repairs	16
- other provisions	86
- write-down of inventory	635
- write-down of receivables	2.134

When determining the result for the first quarters of 2006, the result was decreased by the establishment of: (in PLN thousand):	
- provision for jubilee awards and retirement allowances	812
- provision for employees' leaves	309
- provision for environmental protection costs	26
- provision for warranty repairs cost	335
- provision for quarterly bonus costs	926
- provision for annual bonus costs	793
- write-down of inventory	246
- write-down of receivables	1,595

6. Summary of material accomplishments or failures of the Issuer in the first quarter of 2006 and the summary of respective key events.

<u>Sales</u>
Consolidated income from sales in Q1 amounted to PLN 224,144 thousand and was up by 35% in comparison with income from sales in the corresponding period of the previous year. Such a fast growth was possible due to the significant increase in domestic sale, material increase in exports (over 50% in the Extruded Products Segment and 200% in the Aluminium Systems Segment) and the commencement of the consolidation of Aluprof acquired on 31 January 2006, which in Q1 FY06 added ca. PLN 16 million to income of the Capital Group. The increase in domestic sales is a result of a significant demand of EPS customers who represent virtually all industries serviced by this segment. In the case aluminum systems, the major part of the increase in domestic sales is a result of the

continuance of the construction of the terminal at the Okęcie airport. Undoubtedly, the 4% increase in sales of the Flexible Packaging Segment, despite the fire, which took place on 19 January 2006, is a great success.

Operating profit

Operating profit amounted to PLN 11,400 thousand and was down by 42 % against the 2005 figures. One of the main reasons for the decrease in the result was the fire in the Flexible Packaging Segment as a result of which the operating margin in the segment decreased by 50%. The Management Board of Grupa Kety S.A. estimates that, disregarding the costs of the fire, operating profit would be at the level of PLN 20 million. The Company's Management Board also informs that, in the second quarter, it expects to receive the indemnity under the insurance policy, which will be the Company's income in the second quarter and will have a positive impact on the result of the period. Thus, it should be noted that the worse book result in the first quarter is mainly an effect of the postponed payment of the indemnity in the second and not the first quarter.

In addition, a further increase in aluminium prices was recorded in the first quarter; aluminium is the basic raw material for the company and, at the end of January/beginning of February, its price was at the level of USD 2,650/t. After a short-lived decrease in February to USD 2,350/t, the prices continued to rise and at the end of the first quarter they added up to USD 2,550/t.

Net profit

Consolidated net profit per shareholders of the parent company in the period amounted to PLN 9,200 thousand. In comparison to the corresponding period in FY05, net profit decreased by 47%. The main reasons for such a situation was the low level of operating profit. The low effective tax rate is a result of the fact that over 50% of the Capital Group's profit was generated by Alupol located in the Special Enterprise Zone.

The new strategy of the Capital Group

At the beginning of February 2006, the Management Board of Grupa Kety S.A. presented the revised strategy of the company development for the years 2006-2009. Under the strategy, the Group intends to retain its dominant position in all its business segments on the Polish market offering an expanded range of high quality products and services. The Group's further dynamic growth will take place through the expansion to the majority of European markets, through the organic development of exports and the implementation of "green field" projects as well as acquisitions which will allow for generating the added value chain within the capital group. As a result, the Management Board of Grupa Kęty S.A. gave up its intention to establish the Rolled Products Segment in the Capital Group. The main reason for this decision was the absence of opportunities to implement the element of the strategy allowing for the generation of satisfying financial parameters.

I. Financial targets for the years 2005–2009

- increase in income from sales to PLN 1.4 – 1.5 billion
- EBIT at 12-14%
- ROE at minimum 15%
- maximum debt level of 2.5 x EBITDA of the Capital Group

II. Investments in 2005-2009

a) organic - PLN 250 - 300 million

b) acquisitions - PLN 250 - 300 million

III. Increase in sales in particular segments: in PLN million

Flexible Packaging Segment - from PLN 200 million to PLN 350 million in 2009

Extruded Products Segment – from PLN 400 million to PLN 750 million in 2009

Aluminium Systems Segment – from PLN 170 million to PLN 500 million in 2009

Pursuant to the strategy, the Flexible Packaging Segment intends to increase exports up to ca. 35% of total sales. The Extruded Products Segment and Aluminium Systems Segment should generate ca. 40-45% of international sales in total sales.
The implementation of the strategy will enable the Kęty Group, without detriment to its present flexibility, to become a highly profitable enterprise, which will effectively compete on the global European market, and what follows it will generate a higher value for shareholders due to higher profits.

Acquisitions
On 1 February 2006, the Company signed an acquisition agreement with a natural person who is the sole shareholder of Aluprof Sp. z o.o., regarding the purchase of 550 (five hundred and fifty) shares of Aluprof Sp. z o.o. with the nominal value of PLN 2,000 (two thousand zloty) each. The acquired shares represent 100% of the company's share capital and the same share of votes at the General Meeting of Shareholders of Aluprof Sp. z o.o. The price for the shares amounted to PLN 96,000,000 (ninety six million zloty) and exceeds 10% of the Issuer's shareholder's equity. The payment for the shares was financed with an investment loan. The Company, on 31 January 2006, was granted the permit of the Head of the Office for Competition and Customer Protection to conclude the said transaction.

The acquisition of shares in Aluprof Sp. o .o. is a major component of the strategy of Grupa Kęty aiming at systematical development of value added chain. Aluprof is Poland's leader on the market of aluminium outside roller-blinds. Revenue from sale in 2005 amounted to ca. PLN 100 million and net profit to ca. PLN 9 million. The Management Board of Grupa Kęty S.A. is of the opinion that capital relations with Grupa Kęty S.A. will ensure further dynamic development of Aluprof, particularly as regards its expansion to export markets.

Furthermore, in this scope of corporate events, the following events took place:

20.01.2006 - the Company informs on the fire in the Packaging Plant in Kęty and estimated impact of the fire effects upon financial results of the Company in 2006.

1.02.2006 - the Company informs on the acquisition of 100% of shares in Aluprof Sp. z o.o. for PLN 96 million.

1.02. 2006 - publication of projected results in 2006 assuming income from sales of PLN 857 million and net profit of PLN 80 million.

3.03. 2006 - J.P. Morgan Chase & Co informs on the decrease in the number of shares of Grupa Kęty to 448,486, i.e. 4.86% of its equity.

22.03.2006 – the Company informs on the recovery of full production capacity in the packaging segment.

30.03.2006 – Julius Bear Investment Management LLC informs the Company on holding 542,188 shares of Grupa Kęty, i.e. 5.88% of its equity.

7. Description of factors and events, especially of unusual character, which have material impact on financial results in Q1 FY06

On 19 January 2006, a fire broke out in the production hall in the Flexible Packaging Segment in Kęty. In the production hall in which the event took place, there were 5 rotogravure printers, including three modern 8-10-colour devices and two over 20-year-old printing machines. The losses resulting from the fire are estimated at PLN 20-30 million. The real estate and plant were insured.

Following the analysis of the situation, the Management Board is of the opinion that in 2006 the Company will reconstruct most of the lost production capacity.

8. Acquisition of subsidiaries

On 1 February 2006, the Group acquired 100% of shares in Aluprof. Aluprof is engaged in the production of components for outside roller blinds and roller gates.
The total value of acquired shares amounted to PLN 96,961 thousand (purchase – PLN 96 million); the payment for the shares was financed with an investment loan.

Fair value of identified assets and liabilities as at the date of taking over control of the enterprise is as follows:

Assets and liabilities	Fair value of acquired assets and liabilities ***(in PLN thousand)***
Property, plant and equipment	**31,566**
Intangible assets	**66,499**
Inventories	**14,024**
Receivables	**7,538**
Cash	**958**
Liabilities and provisions	**28,085**
Acquired net assets	**92,500**
Total acquisition price	**96,961**
Less acquired cash	**958**
Acquisition expenses	**96,003**
Goodwill resulting from acquisition	**4,461**

Intangible assets generated as a result of the acquisition entail: „ALUPROF” trademark with fair value of PLN 22,500 thousand, and “market and relations with contractors and customers” with fair value of PLN 43,927 thousand.

If Aluprof was a member of the Capital Group from the beginning, the income of the Group would be higher by PLN 7,072 thousand and its net result would be higher by PLN 200 thousand.

9. Factors which have material impact on financial results in Q1 FY06:

Demand for the Company's products
In Q1 FY06, the demand for the Company's products was considerable. In terms of value, income from sales was up by 35%; the growth was noticeable both on the domestic and foreign markets. Very good macroeconomic data on the increase in industrial production in March is a proof of the tendencies observed among the company's customers. The index was recorded at 16.4% and was higher than expected on the market.

Exchange rates
According to the Company's estimates, ca. 45% of sale is in PLN and ca. 50% of sale is in EURO. The remaining 5% is sale settled in the US dollar (USD). As regards expenses, ca. 45% of costs are costs incurred in PLN, 35% are costs in USD and ca. 20% are costs in EUR. Having regard for the foregoing, a negative tendency was recorded in the EUR/PLN relation in the first two months of the quarter, which involved the appreciation of the zloty against EUR with simultaneous depreciation

against the US dollar. This phenomenon changed towards the end of March, when, as a result of political factors, the zloty weakened against the two main currencies and, at the end of March, amounted to PLN 3.94 for 1 EURO and PLN 3.25 for 1 USD.

Prices of basic raw materials
The basic raw materials in the Capital Group, accounting for 45-50 % of total costs and ca. 65 – 70% of the costs of raw materials are aluminium, aluminium scrap and aluminium tape for foil production. Thus, the Company is exposed to the risk of increased prices of this raw material, considering the fact that it exerts no impact on the prices quoted at the London Metal Exchange (LME), which is the pricing base for aluminium supplies contracts entered into by the company. Such a tendency was recorded in Q1 FY06, when the prices of aluminium, in 3-month quotations, increased from USD 2,390/t in January to nearly USD 2,460/t in March.

Fire in the Flexible Packaging Segment
On 19 January 2006, a fire broke out in the production hall in the Flexible Packaging Segment in Kęty. In the production hall in which the event took place, there were 5 rotogravure printers, including three modern 8-10-colour devices and two over 20-year-old printing machines. The losses resulting from the fire are estimated at PLN 20-30 million. The real estate and plant were insured.
Following the analysis of the situation, the Management Board is of the opinion that in 2006 the Company will reconstruct most of the lost production capacity.

10. Factors likely to influence results generated by the Issuer in at least one quarter (according to the Issuer)

Demand for the Company's products
The Company's Management Board expects that, in Q2 FY06, the positive tendency as regards the demand for the company's products will continue. It is evidenced by the orders portfolio for April and May.
Exchange rates
The Management Board expects that, in subsequent quarters of 2006, the FX structure of income and expenses will be roughly the same as in Q1 FY06. Having regard for the foregoing, further depreciation of EURO against PLN will positively affect the company's results.

Prices of basic raw materials
The Company secured ca. 50% of its position for Q2, however further rapid growth in prices may in future result in the temporary decline in the profitability due to the fact that increases in prices are realized on the market with a 2- or 3-month delay in relation to the fluctuations of aluminium prices at the London Metals Exchange.

Fire in the Flexible Packaging Segment
The effects of the fire on 19 January 2006 will continue to affect the Company in Q2 FY06 in the form of decreased operating margin in this segment. On the other hand, the Company's Management Board expects that, in the second quarter, the indemnity under the insurance policy will be paid, which will have a positive impact on the result of the period, as the indemnity amount will contribute to the increase in operating income.

11. Information on revenue and results for particular segments

The Capital Group's operations are organized into three basic sectors and divided into:
- Extruded Products Segment (EPS)
- Flexible Packaging Segment (FPS)
- Aluminium Systems Segment (ASS)

Detailed description of segment types, assigning companies to particular segments and information on basic economic figures for particular segments have been included in section II of the report on the Capital Group's business published on 11 April 2006 along with the annual report RS 2005.
As described in item 8, in February 2006, the Group acquired Aluprof. Aluprof was assigned to the ASS.
Basic economic figures by the Issuer's segments:

Q1 FY06

Group's industrial segments	FPS	EPS	ASS	Other	Exclusions	Total
Profit and loss account						
Sales	55 440	126 326	61 661	4 748	(24 030)	224 144
Operating profit	(2 871)	16 500	7 137	(8 632)	(734)	11 400
Depreciation	3 733	5 459	804	1 059	(125)	10 930
Balance sheet						
Segment assets	249 301	386 540	164 163	173 951	(52 590)	921 365
Unallocated assets (joint)						
Total assets	249 301	386 540	164 163	173 951	(52 590)	921 365
Segment liabilities	26 920	20 265	26 722	23 973	(5 576)	92 304
Unallocated liabilities (joint)				253 299		253 299
Total liabilities	26 920	20 265	26 722	277 272	(5 576)	345 603
Other						
Net operating cash flow	417	30 478	843	(25 275)	21 168	27 631
Net investing cash flow	(8 855)	(9 317)	(24 676)	(103 972)	34 797	(112 023)
Net cash flow on financial activities	13 478	(3 118)	13 761	87 805	(28 649)	83 277

Q1 FY05

Group's industrial segments	FPS	EPS	ASS	Other	Exclusions	Total
Profit and loss account						
Sales	53 505	88 393	33 592	3 816	(13 155)	166 151
Operating profit	6 626	8 513	5 999	(1 994)	407	19 552
Depreciation	3 430	3 604	512	1 011	(35)	8 522
Balance sheet						
Segment assets	262 472	325 362	98 561	48 551	(5 494)	729 453
Unallocated assets (joint)						
Total assets	262 472	325 362	98 561	48 551	(5 494)	729 453
Segment liabilities	37 900	9 418	9 508	13 730	(5 494)	65 063
Unallocated liabilities (joint)				112 295		112 295
Total liabilities	37 900	9 418	9 508	126 025	(5 494)	177 358
Other						
Net operating cash flow	(16 961)	(6)	6 610	(2 972)	35 882	22 552
Net investing cash flow	3 672	(12 704)	(9 441)	(58 551)	48 060	(28 964)
Net cash flow on financial activities	(43 136)	(40 455)	18 494	(15 620)	91 386	10 669

- other operations are related to auxiliary operations not associated directly with the basic operations of particular segments including Alutech.
- sale between segments is mainly associated with the sale of aluminium extrusions from EPS to ASS and the sale of services of varnishing and anodizing by ASS to EPS.

All above transactions are concluded at arm's length.

12. Notes on seasonality or cyclical character of the Company's operations

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

- Flexible Packaging Segment – bigger sales twice a year mainly before holidays i.e. Christmas and Easter
- Extruded Products Segment and Aluminum Systems Segment record the highest sales in Autumn which is related to the cycle of works in the building industry which is a major share of serviced markets in these Segments

13. Information on issuance, redemption and repayment of debt and capital securities

In the period, Grupa Kęty S.A did not conclude any such transactions.

14. Information on paid out (or declared) dividend in Grupa Kęty S.A., in total and per share, by common and preference shares.

On 7 April 2006, the Management Board of Grupa Kęty S.A. declared that they would recommend, to the General Meeting of Shareholders, the payment of dividend of PLN 4 per share.

15. Events after the reporting period not included in the balance sheet or the profit and loss account

In the period from the end of Q1 FY06 by the date of publishing this statement, no material events that should be presented in the financial statement for the current reporting period had place.

16. Events from previous years disclosed in this financial statement

In the period, no material events concerning previous years that should be presented in the financial statement for the current reporting period had place.

17. Effects of changes in the business structure, including those resulting from business combination, acquisition or sale of the Group's businesses, long-term investments, demerger, restructuring and business discontinuance.

As described in item 8, on 1 February 2006, the Group acquired 100% of shares in Aluprof Sp. z o.o. As a result of the transactions, the Group's income for Q1 FY06 increased by PLN 15,387 thousand and consolidated result increased by PLN 428 thousand.

Apart from the above transaction, no other changes occurred in the Group's structure or objects that would materially affect the results and financial standing of the Group.

18. Changes of contingent liabilities or contingent assets, which had place since the end of the last financial quarter.

At the end of Q1 FY06, the amount of unsettled bills of exchange amounted to PLN 600 thousand. As compared to the end of the previous quarter, the amount decreased by PLN 220 thousand.

19. The position of the Issuer's Management Board on the possible achievement of forecasted profit for 2006

On the basis of the results for the first quarter and good projections for the second quarter, the Management Board of KĘTY S.A. Capital Group upholds the results estimate for 2006 published in current report No.12/2006 on 2 February 2006.

20. Shareholders holding at least 5% of the total vote at the General Meeting of Shareholders as at the date of submission of this quarterly report, i.e. 27 April 2006.

	27-04-2006 Number of shares equal to the number of votes	27-04-2006 % share	2-02-2006 Number of shares equal to the number of votes	2-02-2006 % share
ING Nationale-Nederlanden Polska OFE	1,009,881	10.95%	1,009,881	10.95%
OFE PZU Złota Jesień	886,233	9.61%	886,233	9.61%
Commercial Union OFE BPH CU WBK	608,876	6.60%	608,876	6.60%
Pioneer Pekao Investment Management S.A.	542,906	5.88%	542,906	5.88%
Julius Bear Investment Management LLC	542,188	5.88%		
Raiffeisen Zentralbank Osterreich AG	529,320	5.74%	529,320	5.74%
J.P. Morgan Chase & Co			484,915	5.26%

On 30 March 2006, Julius Bear Investment Management LLC informed the Company on holding 542,188 shares of Grupa Kęty, i.e. 5.88% of its equity.

21. Shares held by persons managing and supervising the Company as at 27 April 2006

	27.04.2006 No. of shares	2.02.2005 No. of shares
President	73 000	73 000
Member	0	0

Supervising persons did not hold any shares of Grupa Kęty S.A.

22. Proceedings currently in progress in the public court, arbitration court or public administration office

No proceedings before the court or public administration body concerning liabilities or claims of the Issuer or entities controlled by the Issuer, whose total value amounts to minimum 10% of the Issuer's equity were initiated against the Issuer or its related parties.

23. Related party transactions

In Q1 FY06, there took place related-party transactions of the total value exceeding the PLN equivalent of EURO 500,000 in the period since the beginning of the financial year, but these transactions were typical and routine, and their types, terms and conditions were determined by current operations of the Issuer and its subsidiaries.

24. Information on the Issuer's or its subsidiaries' guarantees for loans, credits or other guarantees granted in Q1 2006

In Q1 2006, the Issuer and its subsidiaries did not grant any guarantees for loans or credits or other guarantees to a single entity or its subsidiary, whose total value amounts to minimum 10% of the Issuer's shareholders' equity.

25. Other major post-balance sheet events

7.04.2006 - the Company informs that the Management Board of Grupa Kęty SA will recommend to the General Meeting of Shareholders the payment of dividend for 2005 of PLN 4 per share

26. Other information which, in the Issuer's opinion, are material for the assessment of its personnel, financial and asset situation, financial result and their changes and information material for the assessment of the possibility of the payment of Issuer's liabilities.

On 27 March 2006, the Management Board of Grupa Kęty S.A. informed that they presented the assumptions of the new incentive programme for the management of the Capital Group to members of the Supervisory Board. The scheme will be approved by the nearest General Meeting of Shareholders. The programme will entail the team of maximum 40 persons who will be offered bonds with pre-emptive rights to acquire shares. The main objectives of the programme is better motivating the employees to increase the company's value for its shareholders and to provide an incentive which will make it possible to retain key employees in the Company for a long time. As the Management Board estimates, the proposed incentive scheme will meet all corporate governance principles published by Open Pension Funds on their websites.

The Management Board informs that according to the actuary's evaluation, the scheme costs will not exceed PLN 15 million in the next three years.

STANDALONE INDIVIDUAL FINANCIAL STATEMENT OF GRUPA KĘTY SA

Balance sheet as at 31 March 2006

ASSETS	31.03.2006	31.12.2005	31.03.2005
I. Non-current assets	**573 065**	**483 477**	**440 784**
Property, plant and equipment	306 265	315 130	278 511
Intangibles	7 794	7 481	7 694
Investments	259 006	160 866	154 579
II. Current assets	**209 510**	**217 858**	**177 133**
Inventories	58 939	84 691	54 097
Income tax receivable	7 412	4 987	0
Trade and other receivables	139 641	122 129	117 154
Derivative financial instruments	1 664	5 118	845
Cash and cash equivalents	1 854	933	5 037
Total assets	**782 575**	**701 335**	**617 917**

Equity and liabilities	31.03.2006	31.12.2005	31.03.2005
I. Equity	**482 181**	**473 706**	**449 128**
Issued capital	66 964	66 964	66 214
Treasury shares	0	0	0
Share premium	0	0	0
Other reserve capital	(144)	0	750
Retained earnings	415 361	406 742	382 164
II. Non-current liabilities	**29 996**	**30 487**	**59 387**
Interest bearing loans and borrowings	0	0	32 451
Employee benefits	9 091	8 502	6 017
Deferred government grants	95	101	0
Deferred tax liabilities	20 810	21 884	20 919
III. Current liabilities	**270 398**	**197 142**	**109 402**
Interest bearing loans and borrowings	200 738	115 710	47 526
Income tax payable	0	0	1 149
Trade and other payables	66 036	76 376	53 867
Provisions	3 000	1 692	5 078
Derivative financial instruments	599	3 339	1 708
Deferred government grants	25	25	74
Total equity and liabilities	**782 575**	**701 335**	**617 917**

Profit and loss account for the period of 3 months of 2006

INCOME STATEMENT	from 01.01.2006 to 31.03.2006	from 01.01.2005 to 31.03.2005
Total operating revenue including:	**170 504**	**132 894**
Net revenue from sales	169 158	132 134
Other operating revenue	1 346	760
Change in finished products and work in progress	4 679	(12 051)
Cost of manufacturing products for internal use	1 368	642
Total operating expenses including:	**(177 925)**	**(115 624)**
Depreciation and amortization	(6 258)	(5 582)
Materials and energy	(130 260)	(81 549)
External services	(16 222)	(15 014)
Taxes and charges	(1 050)	(949)
Employee benefits	(14 429)	(10 728)
Other operating expenses	(9 706)	(1 802)
Profit on sales	**(1 374)**	**5 861**
Financial income	12 177	3 422
Financial expenses	(2 718)	(3 289)
Profit before tax	**8 085**	**5 994**
Income tax	534	(1 365)
Net profit	**8 619**	**4 629**
Net earnings per share		
Basic	0,93	0,50
Diluted	0,93	0,50

Statement of changes in consolidated shareholders' equity for the period of 3 months of 2006

	Issued capital	Treasury shares	Share premium	Other reserve capital	Retained earnings	Total equity
Equity as at 1 January 2006	**66 964**	**0**	**0**	**0**	**406 742**	**473 706**
Net loss on cash flow hedging	0	0	0	(144)	0	(144)
Net profit	0	0	0	0	8 619	8 619
Equity as at 31 March 2005	**66 964**	**0**	**0**	**(144)**	**415 361**	**482 181**
Equity as at 1 January 2005	**80 179**	**(71 108)**	**43 453**	**750**	**391 225**	**444 499**
Redemption of treasury shares	(13 965)	71 108	(43 453)	0	(13 690)	0
Net profit	0	0	0	0	4 629	4 629
Equity as at 31 March 2005	**66 214**	**0**	**0**	**750**	**382 164**	**449 128**

Cash flow statement for the period of 3 months of 2006

Cash flow	from 01.01.2006 to 31.03.2006	from 01.01.2005 to 31.03.2005
Cash flows from operating activities		
Profit before tax	**8 085**	**5 994**
Total adjustments:	**2 900**	**3 705**
Depreciation and amortization	6 258	5 582
Impairment losses /(reversals)	534	(3 235)
Unrealised foreign exchange (gain) / loss	(235)	177
(Gain) / loss on investment activities	67	(18)
(Gain)/loss on disposal of property, plant and equipment	(303)	(31)
Interest and dividends (income)/expense, net	(9 842)	924
Other items, net	6 421	306
Cash flows from operating activities before change in working capital	***10 985***	***9 699***
Change in inventory	25 752	30 668
Change in receivables	(10 099)	(13 287)
Change in short-term liabilities, excluding borrowings	(6 758)	(11 300)
Change in provisions	1 897	1 216
Change in deferred income	(6)	(21)
Net cash generated from operating activities	***21 771***	***16 975***
Income tax paid	(2 970)	(3 453)
Net cash from operating activities	**18 801**	**13 522**
Cash flows from investing activities		
(+) Inflows:	*11 906*	*516*
Proceeds on disposal of intangible and tangible fixed assets	310	498
Proceeds on disposal of financial assets	596	18
Dividends received	11 000	0
(-) Outflows:	*(113 656)*	*(18 793)*
Acquisition of intangible and tangible fixed assets	(14 853)	(16 947)
Acquisition of financial assets	(98 803)	(1 846)
Net cash from investing activities	**(101 750)**	**(18 277)**
Cash flows from financing activities		
(+) Inflows:	96 536	16 297
Issuance of shares	0	0
Proceeds from borrowings	96 536	16 297
(-) Outflows:	(11 158)	(11 098)
Dividends and other payments due to owners	0	0
Other outflow due to distribution of profit, other than payments to owners	0	0
Repayment of borrowings	(10 000)	(10 863)
Interest paid	(1 158)	(235)
Net cash from financing activities	**85 378**	**5 199**
Total net cash flow:	**2 429**	**444**
Cash and cash equivalents, begining of period	**(5 936)**	**2 947**
Effect of foreign exchange rate movements	0	250
Cash and cash equivalents, end of period	**(3 507)**	**3 641**

Signatures of all members of Grupa Kęty S.A.				Signature of a person responsible for the Company's accounts
April 27, 2006 Date	Dariusz Mańko Name and surname	President Title / position	Signature	
April 27, 2006 Date	Adam Piela Name and surname	Member of the Management Board Title / position	Signature	Signature