

Letter from the President of the Management Board to the Shareholders

Dear Shareholders,

Poland's accession to the EU in 2004 proved to be extremely beneficial for the economy. A number of Polish companies, including Kęty Group, recorded the best results ever in this period. Entrepreneurs took advantage of positive macroeconomic conditions and mounting demand for building materials. The year 2005 was completely different in this respect. The environment for the Company's operation changed radically. In the first half of the year, the demand for extruded products decreased; they generated the biggest value in the sales structure. Also, macroeconomic factors were not favorable as they exerted a negative impact upon the prices of currencies (the appreciation of the Polish zloty against Euro), which weakened the export profitability and contributed to the rise in prices of raw materials, including aluminum which towards the end of 2005, was record high and amounted to ca. 2400 USD per 1 ton. In addition, in April 2005 the President of the Management Board resigned from his function; he had been the President for the last consecutive thirteen years. In this situation, it is no easy to accomplish the determined goals; we had to make every effort not only to generate the best, but at least good results. And we managed to do it. We generated PLN 88 million of net profit.

The development strategy for the years 2005-2009 announced at the beginning of the year was to be a signpost for us. The key element of the strategy was the focus on aluminum processing and creating added value in the area of extruded products, aluminum systems and flexible packaging. The Group, which was a novelty, was to expand its business to include rolled products in the years to come. The Group's further dynamic growth was to 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 allowing for systematic development in the aluminum industry. As a result, the implementation of the strategy was to transform Kęty Group into the largest and the strongest capital group operating in the aluminum industry in Central & Eastern Europe, with income from sales of PLN 2.1 billion.

Time verified our intentions. A closer look at the rolled products industry tempered our investing ambitions. When in 2005 we visited a number of plants operating in this industry in Central & Eastern Europe, we came to the conclusion that the establishment of the new segment through acquisitions calls for extensive capital expenditure, and it does not guarantee satisfying financial parameters. This, in turn, had to weaken the competitiveness of Grupa Kęty, its most important asset. The Management Board decided to modify the strategy and renounce the establishment of rolled products segment, instead focusing on the expansion of the most promising business areas, i.e. aluminum extrusions and systems and packaging. Acquisitions which will allow for generating added value chain within the capital group will help accomplish this goal. They focus on companies with stable market position, which offer state-of-the-art products and sales network. Only such entities may be quickly incorporated into the structure of the Capital Group and develop the sales on the European markets with their assistance. This in turn will expand the commercial offer of Kęty Group and strengthen its position as an European supplier of up-to-date aluminum solutions and high quality flexible packaging for the key market segments.

The first step to implement the new strategy was the acquisition of ALUPROF, the leader on the Polish market of aluminum external rollers. This modern company with annual turnover of PLN 100 million and proprietary know-how will be able, due to the merger with Metalplast-Bielsko, to sell its products in numerous countries of Western Europe. Similar acquisitions will enable Kęty Group to take advantage of Poland's historical accession to the EU in the future.

Equally attractive possibilities of sales are present in Kęty Group in Eastern Europe. The Company has high hopes regarding the expansion to European markets. To this end, the Company is building a modern aluminum extrusions plant near Kiev, Ukraine, and further it intends to erect an aluminum park around it. We would like to encourage other Polish companies to invest in Poland, which, on the basis of sections manufactured there, would be ready to offer finished products, e.g. shower cabins, aluminum joinery, car boards, interior fittings.

Investments have remained our priority for years. Due to investments, we may develop our commercial offer and create better and better solutions. The year 2005 was completely different in this respect. In February, we launched a state-of-the-art production plant in Tychy in which we produced packaging with flexo technology. At the same time, we began to metalize plastic and paper films, as a result the offer of Flexible Packaging Segment became even more competitive.

Last year, the Extruded Product Segment purchased two new presses - 1600 and 2800 tones - and also one anodizing plant - the biggest and the most advanced in this part of Europe. All these investments contributed to the improvement of the production capacity and the enhancement of the position of Kęty Group as the leader on the aluminum sections market.

In the Aluminum Systems Segment, investments were associated with the establishment of the sales network in Europe. We established our representatives in a number of countries, i.e. in Germany, Romania, Great Britain, Ireland and the Scandinavian countries, which canvass orders for aluminum systems. In Poland, Metalplast-Bielsko celebrated its biggest success in history, i.e. winning contracts for the execution of the facade of Warszawa Okęcie international airport or the façade of the Hilton Hotel in Warsaw.

We believe that due to the action undertaken in 2005, the Company accomplished a new and stable strategy which will allow it to develop more dynamically and maximize the value for shareholders.