TRANSLATION

Grupa KĘTY S.A. Group

Opinion and Report of the Independent Auditor

Financial Year ended

31 December 2005

KPMG Audyt Sp. z o.o.
The opinion contains 2 pages
The report supplementing the auditor's opinion
contains 16 pages
Opinion of the independent auditor
and report supplementing the auditor's opinion
on the consolidated financial statements
for the financial year ended
31 December 2005

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Grupa KĘTY S.A.

We have audited the accompanying consolidated financial statements of Grupa KĘTY S.A. Group ("the Group") seated in Kęty, 111 Kościuszki Street, consisting of the consolidated balance sheet as at 31 December 2005, with total assets of and total liabilities and equity of PLN 859,076 thousand, the consolidated profit and loss account for the year then ended with a net profit of PLN 88,692 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 51,074 thousand, the consolidated cash flow statement for the year then ended with a decrease in cash amounting to PLN 4,709 thousand and explanatory notes.

The Management of the Parent Company is responsible for the preparation and true and fair presentation of the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and in respect to matters that are not regulated by the above standards, in accordance with the accounting principles as set out in the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and respective bylaws and regulations and the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market. Our responsibility, based on our audit, is to express an opinion on these financial statements.

We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994, the professional standards established by the Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain a reasonable assurance about whether the consolidated financial statements are fee of material misstatement. An audit includes examining, on a test basis, evidence and consolidation documentation supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles applied in the Group and significant estimates made by the management of the Parent Company, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements of Grupa Kęty S.A. Group present fairly, in all material respects, the financial position of the Group as at 31 December 2005, the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and in respect to matters that are not regulated by the above standards, in accordance with the accounting principles as set out in the Accounting Act dated 29 September 1994 and respective bylaws and regulations and the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market and the provisions of law that apply to the consolidated financial statements, applicable to the Group.

As required under the Accounting Act dated 29 September 1994 we also report that the Report of the Management Board of the Parent Company on the Group's activities includes, in all material respects, the information required by Art. 49 of the Act and by the Decree of the Ministry of Finance dated 19 October 2005 on current and periodic information provided by issuers of securities (Official Journal from 2005, No 209, item 1744) and the information is consistent with the consolidated financial statements.

Signed on the Polish original

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Certified Auditor No. 90066/7583
Arkadiusz Cieślik

Signed on the Polish original

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For KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Certified Auditor No. 9451/7175
Leszek Dubicki,
Member of the Management Board

Warsaw, 10 April 2006

KPMG

TRANSLATION

Grupa KĘTY S.A. Group

Report supplementing the auditor's opinion on the consolidated financial statements Financial Year ended 31 December 2005

KPMG Audyt Sp. z o.o.
The report supplementing the auditor's opinion
contains 16 pages
Report supplementing the auditor's opinion
on the consolidated financial statements
for the financial year ended
31 December 2005

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1 General

1.1 Identification of the Group

1.1.1 Name of the Group

Grupa Kęty S.A. Group

1.1.2 Registered office of the Parent Company of the Group

ul. Kościuszki 111
32-650 Kęty

1.1.3 Registration of the Parent Company in the National Court Register

Seat of the court:	Regional Court for Kraków-Śródmieście, XII Commercial Department of KRS
Date:	9 July 2002
Registration number:	0000121845

1.1.4 Registration of the Parent Company in the Tax Office and Statistical Office

NIP:	549-000-14-68
REGON:	070614970

1.2 Information about companies included in the Group

1.2.1 Companies included in the consolidated financial statements

As at 31 December 2005 the following companies belonging to the Group were subject to consolidation:

Parent Company:

- Grupa KĘTY S.A.

Subsidiaries consolidated on the "full consolidation" basis:

- Aluform Sp. z o.o.
- Alupol LLC Sp. z o.o.
- Alupol Sp. z o.o.
- Alutech Sp. z o.o.
- Celtech Sp. z o.o.
- Dekret Centrum Rachunkowe Sp. z o.o.
- Impet Sp. zo.o.

- Mertz s.r.o.
- Grupa Kapitałowa Metalplast Bielsko S.A.
- Metalplast- Deutschland GmbH
- Metalplast- Romania s.r.l.
- Metalplast- Stolarka Sp. z o.o.
- Metalplast- Ukraina Sp. z o.o.
- „Metalplast- Zalur" Kft
- „Run – Pak" Sp. z o.o.
- ZRE „Metalplast- Bielsko" Sp. z o.o.

1.3 Auditor information

KPMG Audyt Sp. z o.o.
ul. Chłodna 51
00-867 Warsaw

KPMG Audyt Sp. z o.o. is registered as a company authorised to audit financial statements (number 458).

1.4 Legal status

1.4.1 Share capital

The Parent Company was established for an indefinite period under the terms of its Statute dated 3 March 1992 as a result of transformation of state company Zakłady Metali Lekkich "Kęty" seated in Kęty into the sole-shareholder company of the State Treasury.

The share capital of the Parent Company amounted to PLN 23,064,157.00 as at 31 December 2005 divided into 9,225,663 ordinary shares with a nominal value of PLN 2.50 each. On transition date to IFRS as adopted by European Union (1 January 2004), the share capital has been revalued by PLN 43,900 thousand in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies".

Based on the General Meeting resolution dated 14 May 2004, the Company decreased the share capital by PLN 3,937.8 thousand by redemption of 1,575,117 shares. The redemption was registered on 8 February 2005.

On 23 May 2005 an increase in share capital by PLN 750.0 thousand was registered in Court Register as a result of subscription by the authorized persons of 300,000 D shares that were issued within conditional share capital increase in 2003.

As at 31 December 2005, the shareholder structure was as follows:

Name of the Shareholder	Number of shares	Number of voting rights (in %)	Book value of shares PLN'000	Percentage of share capital (in %)
ING Nationale-Nederlanden Polska OFE	1,009,881	10.9%	2,525	10.9%
OFE PZU Złota Jesień	886,233	9.6%	2,216	9.6%
Commercial Union OFE BPH CU WBK	608,876	6.6%	1,522	6.6%
Pioneer Pekao Investment Management S.A.	542,906	5.9%	1,357	5.9%
Raiffeisen Zentralbank Osterreich AG	529,320	5.7%	1,323	5.7%
J.P. Morgan Chase & Co	484,915	5.3%	1,212	5.3%
Others<5%	5,163,532	56.0%	12,909	56.0%
Registered share capital	**9,225,663**	**100.0%**	**23,064**	**100.0%**
Revaluation of share capital (IAS 29)			43,900	
Total share capital			**66,964**	

1.4.2 Management of the Parent Company

The Management Board is responsible for management of the Parent Company.

At 31 December 2005, the Management Board of the Parent Company was comprised of:

- Dariusz Mańko – President of the Board.

Following changes occurred in the Management Board in 2005:

- on 19 April 2005, Mr. Jan Bronisław Kryjak, resigned from the position of the President of the Board,
- on 3 August 2005, the Supervisory Board appointed to the position of the President of the Board Mr. Dariusz Mańko, the former Member of the Board,
- on 9 December 2005, Mr. Michał Malina, resigned from the position of the Member of the Board, effective from 31 December 2005.

Changes in the Management Board after the end of the audited period:

- on 26 January 2006, the Supervisory Board appointed Mr. Adam Piela to the position of the Member of the Board.

1.4.3 Scope of activities

The business activities listed in the Parent Company's Statute include the following:

- production of paper and corrugated cardboard;
- production of paper and cardboard packaging;
- other printing activities not classified elsewhere;
- production of plastic packaging;
- production of aluminium;
- founding of light metals;
- metal forging, pressing, extruding and rolling; powder metallurgy;
- metal processing and coating;

- mechanical processing of metal elements;
- production of light metal packaging.

The business activities listed in the subsidiaries, included in the Group, according to the Deed or Statute include the following:

- Aluform Sp.z o.o. – does not operate;
- Alupol LLC Sp. z o.o. – production of aluminium profiles;
- Alupol Sp. z o.o. – production and commercial activity in the area of plastic packaging;
- Alutech Sp. z o.o. – services;
- Celtech Sp. z o.o. – services;
- Dekret Sp. z o.o.- bookkeeping;
- Impet Sp. z o.o. – commercial activity – sales of steel systems;
- Mertz s.r.o. – commercial activity – sales of window and door carpentry;
- Grupa Kapitałowa Metalplast Bielsko S.A.- production of building carpentry;
- Metalplast -Deutschland GmbH – commercial activity – sales of aluminium systems;
- Metalplast Romania s.r.l. - commercial activity – sales of aluminium systems;
- Metalplast- Stolarka Sp. z o.o.- production of building carpentry;
- Metalplast Ukraina Sp. z o.o. – commercial activity;
- „Metalplast- Zalur" Kft – production and commercial activity;
- Run-Pak Sp. z o.o. – production of packaging;
- ZRE „Metalplast- Bielsko" Sp. z o.o. – services.

1.5 Prior period consolidated financial statements

The consolidated financial statements for the period ended 31 December 2004 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The consolidated financial statements were approved at the General Meeting on 10 May 2005.

The closing balances as at 31 December 2004 have been properly recorded as the opening balances of the audited year.

Due to the changes in the applied accounting policies, resulting from the adoption of the accounting policies that are in compliance with International Financial Reporting Standards as adopted by the European Union the related corresponding figures for the year ended 31 December 2004 have been restated by the Parent Company.

The consolidated financial statements were submitted to the Registry Court on 12 May 2005 and were published in Monitor Polski B No. 1394 on 13 September 2005.

1.6 Audit scope and responsibilities

This report of the independent auditor was prepared for the General Meeting of Grupa KĘTY S.A. seated in Kęty, 111 Kościuszki Street, and relates to the consolidated financial statements comprising: the consolidated balance sheet as at 31 December 2005, with total assets of and total liabilities and equity of PLN 859,076 thousand, the consolidated profit and loss account for the year then ended with a net profit of PLN 88,692 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 51,074 thousand, the consolidated cash flow statement for the year then ended a decrease in cash amounting to PLN 4,709 thousand, and explanatory notes.

The consolidated financial statements have been audited on the basis of the decision of Supervisory Board dated 4 June 2004 on the appointment of the auditor.

The consolidated financial statements have been audited in accordance with the contract dated 25 June 2004.

We conducted the audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2002, no 76, item 694 with amendments), the professional standards established by the Polish National Council of Certified Auditors and International Standards on Auditing.

We have audited the consolidated financial statements in the Parent Company's head office during the period from 7 November 2005 to 10 November 2005 (interim audit) and from 20 February 2006 to 3 March 2006 (final audit).

The Management of the Parent Company is responsible for the preparation and true and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and in respect to matters that are not regulated by the above standards, in accordance with the accounting principles as set out in the Accounting Act dated 29 September 1994 and respective bylaws and regulations and the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market.

Our responsibility is to express an opinion, with a supplementing report, on these financial statements.

On 10 April, the Management Board of the Parent Company submitted a statement as to the true and fair presentation of the consolidated financial statements presented for audit, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the consolidated financial statements for the audited year.

All our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled by the Management of the Parent Company.

KPMG Audyt Sp. z o.o., the members of its Management Board and Supervisory Board and other persons involved in the audit of the consolidated financial statements fulfil independence requirements from the companies included in the Group. The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Audyt Sp. z o.o.

1.7 Information on audits of the financial statements of consolidated companies

1.7.1 Parent Company

The financial statements of the Parent Company for the year ended 31 December 2005 were audited by KPMG Audyt Sp. z o.o., certified auditor number 458, and received an unqualified opinion.

1.7.2 Other consolidated entities

Entity's name	Authorised auditor	Financial year end	Type of the auditor's opinion
Alupol Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2005	unqualified
Alutech Sp. z o.o.	AdAc Sp. z o.o.	31 December 2005	unqualified
Metalplast Bielsko S.A. and its subsidiaries	PRO AUDIT Kancelaria Biegłych Rewidentów Sp. z o.o.	31 December 2005	unqualified

The financial statements of Alutech Sp. z o.o. and Metalplast Bielsko S.A. Group included in the consolidated financial statements, were audited by certified auditors other than KPMG Audyt Sp. z o.o. Total assets presented in the financial statements of these entities on 31 December 2005 amount to 12.6% of the total consolidated assets of the Group before consolidation eliminations and revenues of these entities for the financial year ended 31 December 2005 amount to 21.0% of the consolidated revenues of the Group, before eliminations of intercompany transactions.

The financial statements of other entities being part of the Group were exempt from the obligation to audit for the financial year ended 31 December 2005.

2 Financial analysis of the Group

2.1 Summary of the consolidated financial statements

2.1.1 Consolidated balance sheet

ASSETS	31.12.2005 PLN '000	% of total	31.12.2004 PLN '000	% of total
Non-current assets				
Property, plant and equipment	491,707	57.2	441,451	58.6
Intangible assets	8,873	1.0	9,644	1.3
Investment property	13,838	1.6	7,799	1.0
Other investments	7	0.1	7	0.1
Total non-current assets	514,425	59.9	458,901	61.0
Current assets				
Inventories	129,192	15.1	120,600	16.0
Other investments	708	0.1	708	0.1
Income tax receivable	5,325	0.6	498	0.1
Trade and other receivables	179,914	20.9	151,838	20.0
Cash and cash equivalents	24,394	2.8	20,184	2.7
Derivatives	5,118	0.6	37	0.1
Total current assets	344,651	40.1	293,865	39.0
TOTAL ASSETS	859,076	100.0	752,766	100.0

EQUITY AND LIABILITIES	31.12.2005 PLN '000	% of total	31.12.2004 PLN '000	% of total
Equity				
Share capital	66,964	7.8	80,179	10.7
Treasury shares	-	-	(71,108)	(9.4)
Share premium	-	-	43,453	5.8
Reserves	-	-	750	0.1
Foreign exchange translation differences of subsidiary	(56)	(0.1)	47	0.1
Retained earnings	545,783	63.6	508,361	67.5
Total equity attributable to equity holders of the parent	612,691	71.3	561,682	74.8
Minority interest	1,937	0.2	1,872	0.2
Total equity	614,628	71.5	563,554	75.0
Liabilities				
Interest-bearing loans and borrowings	1,930	0	17,389	2.3
Employee benefits	11,421	1.3	8,779	1.2
Deferred government grants	101	0.1	84	0.1
Provisions	1,859	0.2	608	0.1
Deffered tax liabilities	4,615	0.5	4,856	0.6
Total non-current liabilities	19,926	2.3	31,716	4.3
Interest-bearing loans and borrowings	119,371	13.9	56,537	7.1
Income tax payable	2,504	0.5	4,781	1.2
Trade and other payables	95,295	10.5	84,612	11.1
Provisions	3,988	0.6	7,421	0.8
Derivatives liabilities	3,339	0.5	4,134	0.4
Deferred government grants	25	0.2	11	0.1
Total current liabilities	224,522	26.2	157,496	20.7
Total liabilities	244,448	28.5	189,212	25.0
TOTAL EQUITY AND LIABILITIES	859,076	100.0	752,766	100.0

2.1.2 Consolidated profit and loss account

	1.01.2005 - 31.12.2005 PLN '000	% of total sales	1.01.2004 - 31.12.2004 PLN '000	% of total sales
Operating revenues				
Net revenues from sales	740,820	98.5	767,183	98.1
Other operating revenues	11,625	1.5	14,462	1.9
	752,445	100.0	781,645	100.0
Change in inventory position	(5,972)	(0.8)	611	0.1
Manufacturing costs of products for entity's own purposes	5,477	0.7	4,085	0.5
Operating expenses				
Depreciation	(36,948)	(4.9)	(34,640)	(4.4)
Materials and energy	(463,616)	(61.6)	(481,585)	(61.6)
External services	(43,695)	(5.8)	(39,331)	(5.0)
Taxes and charges	(6,676)	(0.9)	(6,187)	(0.8)
Employee benefits	(85,982)	(11.4)	(83,576)	(10.7)
Other operating expenses	(20,858)	(2.8)	(23,273)	(3.0)
	(657,775)	(87.4)	(668,592)	(85.5)
Operating profit before financing costs	*94,175*	*12.5*	*117,749*	15.1
Financial income	12,534	1.7	4,764	0.6
Financial expenses	(3,681)	(0.5)	(11,144)	(1.4)
Net financing costs	8,853	1.2	(6,380)	(0.8)
Profit before tax	*103,028*	*13.7*	*111,369*	*14.3*
Income tax expense	(14,336)	(1.9)	(15,113)	(1.9)
Net profit	*88,692.0*	*11.8*	*96,256.0*	*12.4*
Attributable to:				
Equity holders of the parent	88,016	*11.7*	95,071	*12.2*
Minority interest	676	*0.1*	1,185	*0.2*

2.2 Selected financial ratios

	2005	2004
1. Return on sales		
net profit x 100% / net revenues	12.0%	12.5%
2. Debtors turnover		
average trade receivables (gross) x 365 days / net revenues	70 days	58 days
3. Debt ratio		
total current liabilities / total equity and liabilities	26.1%	20.9%
4. Current ratio		
total current assets / total current liabilities	1.5	1.9
5. Return on equity		
net profit x 100% / equity - net profit	16.9%	20.6%

- Current assets exclude receivables due in more than 12 months.
- Current liabilities are comprised of short-term provisions for liabilities, short-term liabilities, excluding liabilities due in more than 12 months, and other short-term accruals.
- Net revenues are comprised of the sale of finished products, merchandise and raw materials.
- Average trade receivables are comprised of the average of trade receivables to related and other parties at the beginning and at the end of the period, excluding allowances for receivables.

2.3 Interpretation of selected financial ratios

The business activity of the Parent Company had a decisive impact on the financial ratios of the Group.

Return on sales and return on equity

Decrease in return on sales and return on equity as compared with the previous year resulted mainly from the lower net profit achieved in 2005. Unfavourable fluctuations in exchange rate of EUR to PLN that resulted in the lower of revenue from export sales was accompanied by higher prices of basic material for production (aluminium) and adversely affected the profitability.

Debtors' days

Lower debtors' turnover in 2005 in comparison with the previous year was primarily attributed to higher trade receivables at the end of the year due to high volume of sales in the final quarter of 2005 while the receivables were settled according to the payment terms after the year-end.

Debt ratio

The increase in the debt ratio results primarily from new short-term loans drawn during the year which was designated to finance capital purchases connected with increase in production capacities following the higher level of scope of the Company's activities.

Current ratio

The current ratio decreased insignificantly as compared to the previous year, mainly as a result of reclassification of the loans from long-term to short-term and was also result of the described above increase in short term indebtedness attributable to the new investment loans.

3 Detailed report

3.1 Accounting principles

The Parent Company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Company.

The accounting principles are described in the explanatory notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

Entities included in the Group apply common accounting principles consistent with accounting principles applied by the Parent Company.

The financial statements of the entities included in the consolidated financial statements were prepared at the same balance sheet date as the financial statements of the Parent Company.

3.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Grupa KĘTY S.A. Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and in respect to matters that are not regulated by the above standards, in accordance with the accounting principles as set out in the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and respective bylaws and regulations, and the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market.

The consolidated financial statements were prepared from the consolidation documentation, prepared based on the requirements of the Decree of the Ministry of Finance dated 12 December 2001 on principles for the preparation of financial statements of related entities by companies other than banks and insurance companies, including in particular:

- financial statements of the related entities,
- consolidation adjustments and eliminations, necessary to prepare the consolidated financial statements,
- calculation of fair value of net assets of subordinated entities,
- calculation of goodwill and its allowances and excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost,
- calculation of the minority interest,
- calculation of foreign exchange differences on the translation of the financial statements of subordinated entities.

3.3 Method of consolidation

The method of consolidation has been described in note 1D of the explanatory notes.

3.4 Consolidation goodwill and its amortisation

The method of calculating consolidation goodwill has been described in note 1H of the explanatory notes.

3.5 Consolidation of equity and calculation of minority interest

The share capital of the Group is equal to the share capital of the Parent Company.

Other equity items of the Group were determined by adding the equity balances of subsidiaries included in the consolidated financial statements, in the proportion reflecting the percentage share of the Parent Company in the subsidiaries' equity as at the balance sheet date to the corresponding positions of the equity of the Parent Company.

Only the portion of equity of the subsidiaries, resulting after control by the Parent Company, is included in the equity of the Group.

Minority interests in subsidiaries included in the consolidated financial statements were determined as the percentage share of minority shareholders in subsidiaries' equity as at the balance sheet date.

3.6 Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of Grupa KĘTY S.A. (or subsidiary entities) and agreed with information received from the subsidiaries.

3.7 Explanatory notes

All information included in the explanatory notes to the consolidated financial statements is presented accurately and completely. This information should be read in conjunction with the consolidated financial statements taken as a whole.

3.8 Report of the Management Board of the Parent Company on the Group's activities

The Report of the Management Board of the Parent Company on the Group's activities includes, in all material respects, the information required by Article 49 of the Accounting Act dated 29 September 1994 and by the Decree of the Ministry of Finance dated 19 October 2005 on current and periodic information provided by issuers of securities (Official Journal from 2005, No 209, item 1744) and the information is consistent with the consolidated financial statements.

3.9 Information on the opinion of the independent auditor

Based on our audit of the consolidated financial statements of the Group as at and for the year ended 31 December 2005, we have issued an unqualified opinion.

Signed on the Polish original

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Certified Auditor No. 90066/7583
Arkadiusz Cieślik

Signed on the Polish original

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For KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Certified Auditor No. 9451/7175
Leszek Dubicki,
Member of the Management Board

Warsaw, 10 April 2006