

REPORT OF KORPORACJA KGL S.A. 19/03/2020

Operation of the company in the context of economic changes resulting from the global coronavirus pandemic

SUMMARY

In this document Korporacja KGL S.A. presents the analysis and describes the effects of coronavirus pandemic for its business operations. As a result of the detailed analysis it has been stated as below:

The Company has observed a significant increase in the customer demand for packaging products and polymer granulates for distribution. The Company's Management Board and all Employees have noticed the role of packaging in these difficult pandemic times as well as the corporate social responsibility regarding safety of food production (increased purchase of meat and prepared-food products) and catering (increased purchase of take-away products).

Simultaneously, we have not observed any threat of the continued deliveries of indispensable production materials, which channels of origin have been diversified and the level of stock has been supplemented. The risks identified by us refer only to the global and social changes, which the company cannot influence, including: limited access to employees because of the closed schools and providing childcare, quarantine of employees compulsory or resulting from the internal procedures or delayed deliveries due to restricted cross border traffic.

1. RISK MANAGEMENT IN THE KGL COMPANY

In connection with the epidemic risk, considering safety, stable employment and the responsibility towards the Customers, the company has:

- a. appointed **Proxy of the Management Board** to represent the company in the time of coronavirus epidemic;
- b. appointed **the Crisis Management Team** consisting of the Management Board members and 8 Directors of respected areas, meeting for everyday briefings and monitoring the current implementation of business assignments;
- c. prepared a set of Procedures, internal instructions and statements aimed at effective information flow and strict observance of hygienic restrictions for the Employees and Guests entering the company's production plants;
- d. defined a scheme of SMS communication with the physical workers (production, warehouse) for an effective distribution of current messages and information on the personnel changes in the production brigades.



2. SOURCES OF ORIGIN OF PRODUCTS FOR DISTRIBUTION, COMPONENTS AND RAW MATERIALS

KGL imports raw materials being distributed from South Korea (90% of import from Asia), Vietnam, Japan, Singapore and Taiwan. The Company is in constant contact with the suppliers and on the day of this report has not been informed about any delivery risk related to the limited production or disrupted chain of Europe supplies.

At the same time the company has diversified the purchase sources of key production components and keeps the stocks in the event of delayed delivery from any of these sources. As of today, the company has not been informed on any risks related to the delivery dates of the orders referred to above.

3. CASH INFLOW FROM RECEIVABLES

As of the day of issuing the document, the company has not observed a prolonged cash inflow. Simultaneously, the Management Board takes into account possible delays in payments in the future. The Financial Controlling Department regularly monitors the current cash inflow.

4. SALE OF COMPANY PRODUCTS TO THE COUNTRIES OF THE HIGHEST INFECTION LEVEL

The company does not sell the products to the countries with the highest number of infections (China, Italy), therefore execution of the sale plans is not directly endangered.

5. COOPERATION WITH THE PARTNERS FROM COUNTRIES WITH HIGH INFECTION LEVEL

No risks have been encountered for the current business cooperation with the foreign partners. As of the day of issuing the document, we have just observed increased prices of logistic services and extended delivery times, which have been taken into account in the plans of production and supply of our products to the Customers.

6. IMPLEMENTATION OF PRODUCTION TASKS

No risk has been observed in the execution of increased production plans, resulting from the material factors such as ensuring the production components and raw materials.



We think the risk lies in the staff of Employees, being impacted by the present situation of closing schools and child care allowance. In the future, the staff may also be impacted by the obligatory quarantine or hospitalization of Employees, which has not been recorded so far.

The company intensified the ongoing recruitment processes. Until the end of Q1 2020 the company has increased the employment plans of own recruitments or by extended cooperation with the employment agencies, offering personnel from the plants that suspended operations because of the epidemic risk.

LECH SKIBIŃSKI


Vice-President of the Management Board / Managing Director

TOMASZ KRZESZOWSKI - WALOSZEK



Chief People Officer / Proxy of the Management Board to represent the company in the time of coronavirus epidemic

