

REPORT OF KORPORACJA KGL S.A. 14/05/2020

Updated information on the company business operations in the context of economic changes caused by the global coronavirus pandemic

SUMMARY

In this document, Korporacja KGL S.A. presents the second analysis (first was published on 19.03 this year) 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 decided to increase employment – we have also observed multiplied number of candidate applications;**
- **A system of internal benefits and financial support has been offered to employees who have suffered from the current pandemic crisis;**
- **Customer demand for the distribution of packaging products and polymer granulates has been maintained. At the same time, some sectors of polymer sales present slight slowdown (automotive, domestic appliances/electronics, furniture);**
- **Still we have not observed any threat to the continued deliveries of indispensable production materials;**
- **We have not observed increased disruptions in the receivables' inflow;**
- **Stability of production processes has been maintained and volume of produced packaging has increased compared year to year.**

1. EMPLOYMENT INCREASE

On 20.04 this year, the Management Board of the company decided to increase employment planned for 2020 in the production area in both locations: Klaudyn and Rzakta. In total, it has been approved to increase number of production employees by 5%. This decision is followed by persistent demand for the company products and prior purchase of new machines requiring service of production personnel.

The company plans to complete the recruitment processes of new employees until 30.06.2020..



2. SUPPORT FOR EMPLOYEES

Effective operation of the company during the crisis depends on the constant availability of employees and execution of production orders. Therefore, the company has prepared programs providing crisis related financial support:

- a. Financial support in the event of COVID-19 infection diagnosed on any of the employees;
- b. Single financial benefit for physical workers, who continued working during the most critical pandemic period;
- c. Until end of May this year, we will have prepared a program supporting families of those Employees, whose households have lost part of financial income due to the pandemic.

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

Based on the information available publicly as well as from our suppliers, it can be stated that the situation in Asia as well as in Italy, where we import part of the production (and for distribution) material from, has improved. Since, as at the present day, the pandemic seems to be controlled in these regions, the threat in this sector for company has been minimized.

4. INFLOW FROM RECEIVABLES

The company has not observed any major disturbances in the inflow of receivables. At the same time, the company monitors cooperation with the insurers due to the changed approach of these companies to risk evaluation. KGL company attempts to minimize the risk of immediate limit reductions and cooperates with three leading insurance companies.

5. IMPLEMENTATION OF PRODUCTION TASKS

Stability of processes (continued production) has been maintained, which allows to keep the delivery schedules agreed with the Customers. Additionally, quantity of packaging produced year to year has been increased despite of the shortened work time resulting from intensified sanitary restrictions.

The company is still concerned about any of its Employees being diagnosed with COVID-19 infection and respective compulsory quarantine, which might lower the productivity.

The company underlines it is impossible to predict the pandemic impact on the execution of 2020 goals, therefore it takes into account need for their verification.

Simultaneously, until the present day, due to the applied sanitary restrictions, we have not observed any COVID-19 infection among the Employees. According to this, all the sanitary restrictions are to be continued, such as: temperature control at the entrances, limited transfers between the company locations and production halls, as well as the home office arrangements for the part of the office Employees.

TOMASZ KRZESZOWSKI - WALOSZEK

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



LECH SKIBIŃSKI

Vice-President of the Management Board / Managing Director

