

RAWLPLUG S.A.

RAWLPLUG

**MANAGEMENT REPORT ON COMPANY
OPERATIONS**

FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2013

Wrocław, 18 March 2014

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1. INFORMATION ABOUT THE COMPANY

1.1. COMPANY OPERATIONS

RAWLPLUG S.A. (the "Company") was registered at division B of the trade register under number 9101 on 20 December 1999. Currently, the Company is registered under KRS number 33537. The Company was founded by: Krystyna Koelner, Przemysław Koelner and Radosław Koelner. The Company's main economic activities are as follows: design, manufacture and sale, mostly through wholesale distribution channels, of the following assortment groups:

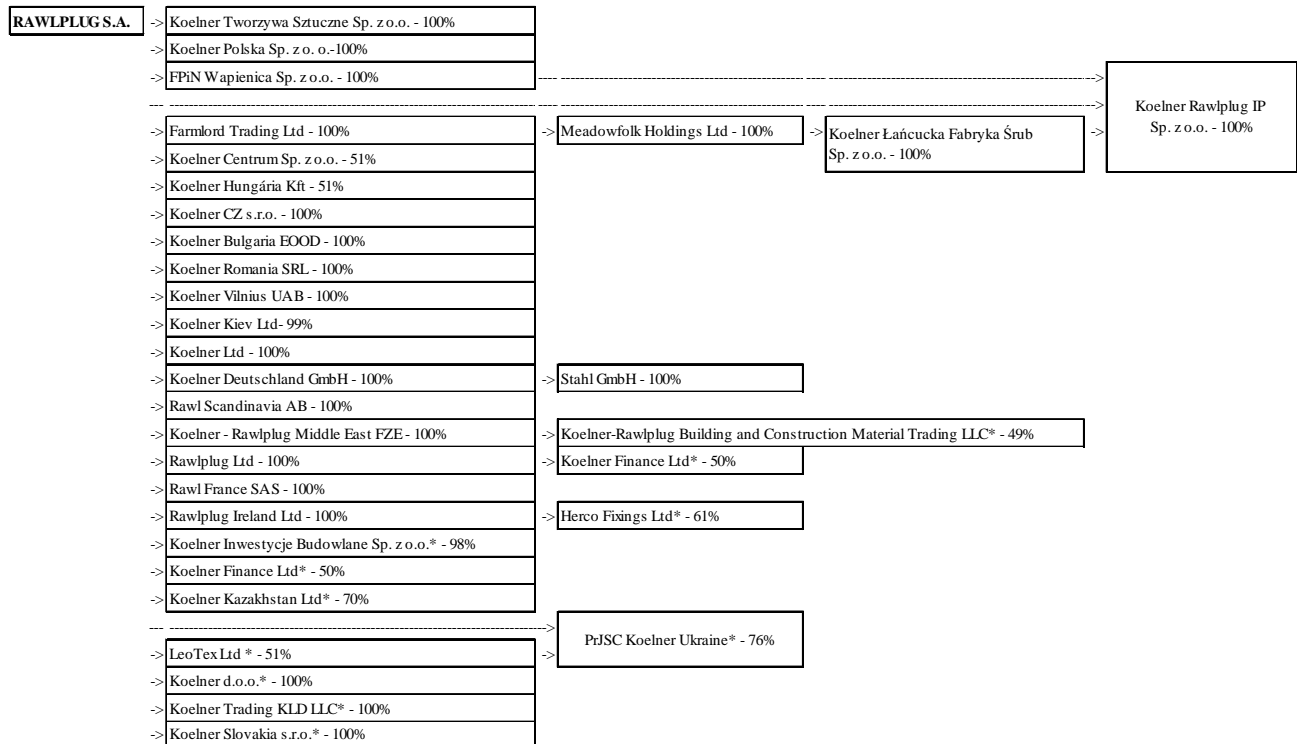
- ✓ construction fixings,
- ✓ hand tools and power tools,
- ✓ screws and related accessories.

As at 31 December 2013, RAWLPLUG S.A. had a branch in Wrocław, ul. Jedności Narodowej 194. The branch did not engage in any operating activities.

On 8 July 2013, the Company received a decision from the District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division, regarding change of the Company's name from KOELNER S.A. to RAWLPLUG S.A., in accordance with a decision made by the Company's general meeting on 21 June 2013. The management continues to pursue a global growth agenda based on RAWLPLUG products and brand, and therefore decided to align the Company's corporate identity with its products by changing the company name. Through a series of on-going organisational changes within the Group, RAWLPLUG S.A. is becoming a central distribution company, whose suppliers will include the Group's production entities and external suppliers of commercial products.

1.2. EQUITY LINKS

Entities comprising RAWLPLUG Group as at 31 December 2013:



* as at 31 December 2013, the companies were not subject to consolidation (in accordance with IAS 1 point 31)

From 1 January 2013, RAWLPLUG S.A.'s sales structures for the Polish territory were transferred to subsidiary Koelner Polska Sp. z o.o. The goal of this reorganisation is to streamline Group management.

On 1 January 2013, a shared services centre was unbundled from RAWLPLUG S.A.'s organisational structure and transferred to subsidiary Koelner Rawlplug IP Sp. z o.o. The newly-formed centre provides the following services: book-keeping, management accounting, owner's supervision, debt recovery, marketing, legal advice, IT support, HR, operations and logistics support and technical advisory for RAWLPLUG S.A. and selected related parties within RAWLPLUG Group.

On 24 October 2013, RAWLPLUG S.A. paid PLN 2 thousand for shares in Koelner Ltd with a nominal value of RUB 5 968 thousand, constituting 15.67% of the company's share capital. As a result of the purchase, RAWLPLUG S.A. held 100% of Koelner Ltd's share capital.

1.3. SHAREHOLDING STRUCTURE

RAWLPLUG S.A.'s shareholding structure as at 1 January 2013:

Shareholder	Number of shares	% in share capital	Number of votes at the general meeting	% of votes at the general meeting
Amicus Polinae Sp. z o.o.	19 102 750	58.67	19 102 750	58.67
ING OFE	2 842 138	8.73	2 842 138	8.73
Arka BZ WBK FIO	2 577 985	7.92	2 577 985	7.92
OFE Polsat	1 632 295	5.01	1 632 295	5.01
Other	6 404 832	19.67	6 404 832	19.67
TOTAL	32 560 000	100.00	32 560 000	100.00

RAWLPLUG S.A.'s shareholding structure as at 31 December 2013:

Shareholder	Number of shares	% in share capital	Number of votes at the general meeting	% of votes at the general meeting
Amicus Polinae Sp. z o.o.	17 602 750	54.06	17 602 750	54.06
PKO BP BANKOWY PTE	2 933 639	9.01	2 933 639	9.01
ING OFE	2 842 138	8.73	2 842 138	8.73
Radosław Koelner	2 044 750	6.28	2 044 750	6.28
Other	7 136 723	21.92	7 136 723	21.92
TOTAL	32 560 000	100.00	32 560 000	100.00

There are no limitations on exercising rights carried by shares in RAWLPLUG S.A.

The Company is not aware of any agreements pursuant to which there may be a change in the proportions of shares held by current shareholders.

Acting pursuant to art. 362 §1 point 8) of the Polish Commercial Companies Code, RAWLPLUG S.A.'s ordinary general meeting authorised the Company's management board to purchase shares in the Company that are listed on the regulated market managed by the Warsaw Stock Exchange in order to redeem or re-sell them. The Company will purchase own shares, fully paid-in, on the following terms:

- ✓ the total number of purchased shares may not exceed 1 800 thousand, with a nominal value of PLN 1.00 each,
- ✓ the minimum price for the purchased shares may not be lower than PLN 1.00 per share, and the maximum aggregate value of the purchased shares may not exceed PLN 21 600 thousand, i.e. PLN 12.00 per share.
- ✓ the management board's authorisation to purchase own shares covers the period from 21 June 2013 to 31 May 2015, or until the funds intended for the buyback programme are used up,
- ✓ shares may be purchased on the regulated market: during trading sessions and in off-session transactions,
- ✓ shares may be purchased via block trades,
- ✓ shares may be purchased via a public tender offer,
- ✓ the purchase of own shares, if so decided by the management board, may be financed from the allocated amount, pursuant to art. 348 of the Polish Commercial Companies Code, with stipulation that the Company's management board is authorised to decide on using other sources of financing,

- ✓ the terms of purchasing own shares in order to redeem or re-sell them will be in compliance with Commission Regulation 13 (EC) No. 2273/2003 of 22 December 2003.

Acting in the best interest of the Company and after consulting with the supervisory board, the management board may:

- a) finish the buyback programme before 31 May 2015 or before the funds intended for the buyback programme are used up,
- b) withdraw from buying back shares, in part or in full.

After completion of the buyback programme, the Company's management board will call a general meeting immediately, but not later than four months from that date, in order to adopt resolutions on redemption of own shares or decrease of the Company's share capital and amendment of its articles of association.

Acting pursuant to art. 362, § 2, point 3) of the Polish Commercial Companies Code, art. 348, § 1, in connection with art. 396, § 4 and 5 of the Polish Commercial Companies Code, the general meeting decided to increase the Company's reserve capital, created from 2000-2003 profit, from PLN 15 485 012.36 to PLN 21 600 000.00 and to use it to purchase shares in the Company in order to redeem or re-sell them.

The increase to PLN 21 600 000.00 was done through the transfer of PLN 6 114 987.64 to reserve capital from supplementary capital, which was established using the Company's profit from previous years.

In 2013, the Company did not purchase own shares.

1.4. COMPANY AUTHORITIES

1.4.1. MANAGEMENT BOARD

Composition of the Company's management board as at 1 January 2013:

Radosław Koelner	- President
Piotr Kopydłowski	- Member, responsible for finance

The composition of the Company's management board did not change in 2013.

1.4.2. SUPERVISORY BOARD

Composition of RAWLPLUG S.A.'s supervisory board as at 1 January 2013:

Krystyna Koelner	- Chairperson
Tomasz Mogilski	- Deputy Chairperson
Przemysław Koelner	- Member
Zbigniew Szczypiński	- Member
Zbigniew Pamuła	- Member
Zbigniew Stabiszewski	- Member
Wojciech Heydel	- Member

Composition of RAWLPLUG S.A.'s supervisory board as at 31 December 2013:

Krystyna Koelner	- Chairperson
Tomasz Mogilski	- Deputy Chairperson
Przemysław Koelner	- Member
Zbigniew Szczypiński	- Member
Zbigniew Pamuła	- Member
Zbigniew Stabiszewski	- Member
Wojciech Heydel	- Member
Janusz Pajka*	- Member

* On 21 June 2013, RAWLPLUG S.A.'s general meeting appointed Janusz Pajka as a member of the supervisory board.

1.4.3. SHARES HELD BY THE PARENT'S MANAGEMENT BOARD OR SUPERVISORY BOARD MEMBERS

As per the Company's knowledge, at 31 December 2013 RAWLPLUG S.A. management board and supervisory board members held shares as follows:

Management board		As at 31 December 2013
Radosław Koelner	- President	2 044 750
Piotr Kopydłowski	- Member finance	29 344
Bogdan Nyczaj	- Commercial Representative	678

Supervisory board		As at 31 December 2013
Krystyna Koelner	- Chairperson	191 165
Tomasz Mogilski	- Deputy Chairperson	100 000
Przemysław Koelner	- Member	26 625
Zbigniew Pamuła	- Member	-
Zbigniew Szczypiński	- Member	360
Zbigniew Stabiszewski	- Member	-
Wojciech Heydel	- Member	-
Janusz Pajka	- Member	-

The nominal amount of one share in RAWLPLUG S.A. is PLN 1.

1.4.4. TOTAL REMUNERATION AND PAY BONUSES PAID OR DUE TO BE PAID TO MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

Remuneration paid or due to be paid to management board and supervisory board members (in PLN 000s):

Management board		1.01.2013 - 31.12.2013
Radosław Koelner	- President	597
including roles at subsidiaries, associates and jointly controlled entities		237
Piotr Kopydłowski	- Member, responsible for finance	396
including roles at subsidiaries, associates and jointly controlled entities		156

Remuneration paid or due to be paid to supervisory board members (in PLN 000s):

Supervisory board		1.01.2013 - 31.12.2013
Krystyna Koelner	- Chairperson	204
Tomasz Mogilski	- Deputy Chairperson	162
Przemysław Koelner	- Member	9
Zbigniew Pamuła	- Member	12
Zbigniew Szczypiński	- Member	12
Zbigniew Stabiszewski	- Member	12
Wojciech Heydel	- Member	9
Janusz Pajka*	- Member	6

* On 21 June 2013, RAWLPLUG S.A.'s general meeting appointed Janusz Pajka as a member of the supervisory board.

As at 31 December 2013, there were no agreements entered into between RAWLPLUG and management board members providing for compensation in the event of their resignation or dismissal without valid cause or if their dismissal or redundancy occurs as a result of the Company's merger.

1.5. SHARE ISSUES

Not applicable.

1.6. INCENTIVE PROGRAMMES

The Company does not have any share-based incentive programmes.

1.7. CHANGES IN KEY MANAGEMENT PRINCIPLES

From 1 January 2013, RAWLPLUG S.A.'s sales structures for the Polish territory were transferred to subsidiary Koelner Polska Sp. z o.o. The goal of this reorganisation is to streamline Group management.

On 1 January 2013, a shared services centre was unbundled from RAWLPLUG S.A.'s organisational structure and transferred to subsidiary Koelner Rawlplug IP Sp. z o.o. The newly-formed centre provides the following services: book-keeping, management accounting, owner's supervision, debt recovery, marketing, legal advice, IT support, HR, operations and logistics support and technical advisory for RAWLPLUG Group companies, including RAWLPLUG S.A.

In 2014, a substantial change of RAWLPLUG Group's financing structure will take place.

The on-going restructuring programme includes the implementation of comprehensive international factoring within RAWLPLUG Group and the conversion of existing short-term credit facilities to 2- and 3-year medium-term facilities (announced by the Issuer in current reports no. 2/2014 of 1 March 2014 and no. 3/2014 of 4 March 2014). The implementation of factoring solutions will markedly improve RAWLPLUG Group's liquidity through a significantly more efficient receivables management process. The conversion of short-term to medium-term facilities will help stabilise RAWLPLUG Group's financing structure. Instead of the five banks currently used, RAWLPLUG Group's target financing structure will involve three entities: the factor (Bank Handlowy w Warszawie S.A.) and two banks (Raiffeisen Bank Polska S.A. and ING Bank Śląski S.A.) .

The management is also focusing on the optimisation of all processes within the Group in order to fully utilise all of its resources, reduce costs and achieve optimal synergy effects.

2. INTERNAL AND EXTERNAL FACTORS SIGNIFICANT TO THE COMPANY'S DEVELOPMENT AND GROWTH PERSPECTIVES

2.1. EXTERNAL FACTORS

2.1.1. MACROECONOMIC SITUATION AND CONDITIONS IN CONSTRUCTION, INDUSTRIALS AND AUTOMOTIVE

Conditions in H1 2013 were weak, and demand remained at a lower level than in 2012. This particularly concerned the first quarter, which was especially good for the Company in 2012. As 2013 continued, an improvement became increasingly visible, which allowed the Company to generate higher sales in Q3-Q4 2013, compared with the previous year. Aside from the macroeconomic factors that weighed on demand, such as a low level of investment or more difficult access to finance, last year's long winter, which lasted until May, had a particularly negative impact on the industry. Unfavourable weather resulted in a month's delay in construction investments versus the previous year.

Sales in 2014 will almost exclusively depend on the industry maintaining demand due to the fact that RAWLPLUG S.A. has very high product availability, a rich offering and excellent customer service. Positive signs from the eurozone and from the U.K. lead us to believe that 2014 may be a lot better for the Company than 2013.

Among the factors that may have a negative impact on the Group's financial performance are weaker conditions in Western European markets and a weakening of the RUB and UAH. The conflict in Crimea and the threat of economic sanctions on Russia may result in weaker internal demand in those markets and negative exchange differences on payables expressed in foreign currencies. That said, the impact of these factors on consolidated results is limited because the Company's direct sales to these markets are relatively immaterial.

2.1.2. EMPLOYMENT CONDITIONS AND PRICES OF PRODUCTS AND INTERMEDIATES IMPORTED FROM THE FAR EAST

The prices of goods and intermediates imported from the Far East remain stable. They are negatively impacted by local wage pressures, but this should be offset by a slight decrease in commodity prices resulting from slower growth dynamics in China.

2.1.3. EXCHANGE RATES

Exchange rates have an impact on RAWLPLUG S.A.'s results. In terms of global cash flows, the Company is exposed to EURUSD. Given the specific nature and territorial scope of its operations, Rawlplug S.A. is mostly long EUR (sales mostly in EUR) and short USD (imports from the Far East). Given the fact that the current volume of conversion for EUR to USD is relatively small (about EUR 600 thousand a month), forward contracts are not expected to be used in the future in order to hedge currency items.

In measuring balance sheet items, the management aims to balance out foreign-currency items through natural hedging in as far as practicable.

2.1.4. INTEREST RATES

Given the substantial share of bank borrowing in RAWLPLUG Group's financing structure, interest rates have a direct impact on financial performance. Interest rates are not expected to rise before Q3 2014. The level of interest rates in the months to come will depend on the macroeconomic situation and the policy of the National Bank of Poland.

2.1.5. COMMODITY PRICES

RAWLPLUG S.A.'s key commodity is plastics, the prices of which have stabilised.

2.2. INTERNAL FACTORS

The organisation has been properly prepared for fully efficient operations. Product portfolio analysis, a focus on those product groups that enable maximum competitive advantages, along with deployment of management solutions for sales and marketing - these are the main tasks carried out in 2013.

Throughout last year, RAWLPLUG Group saw changes in sales, production and marketing, which may lead to optimal efficiency and full realisation of the Group's potential. Substantial capex on machinery, particularly as regards the production facility at Koelner Łańcucka Fabryka Śrub Sp. z o.o. but also at RAWLPLUG S.A. and FPiN Wapienica Sp. z o.o., will enable to increase productivity, which should translate into better product availability and higher pricing competitiveness, along with an expanded and re-designed product offering for the Group and - most importantly - the Company, as the Group's central distribution unit.

A new marketing strategy aims to reinforce RAWLPLUG Group's positive image as a supplier of best-in-class products for the building industry, which is a subsequent step towards our strategic objective of becoming a first-choice supplier.

2.3. GROWTH PERSPECTIVES

Changes in logistics and sales will be continued. The main areas are as follows: expansion of the product offering, improvement in the quality of distribution, along with effective and efficient sales support.

2.4. GROWTH STRATEGY

The Company's growth strategy for the next several years prioritises further expansion of own sales structures abroad, mainly through the development of the Company's existing foreign subsidiaries. The focus will continue to be on sales in RAWLPLUG S.A.'s strategic product groups, where innovation and technical advances offer attractive margins. The Company aims to reinforce its market position also by developing new business in different distribution channels, such as DIY and OEM. The foreign sales growth strategy provides increases in sales outside of Europe by tapping into

customer groups in new markets, with simultaneous increase in sales in those markets where the Group already operates through subsidiaries.

3. SEASONALITY OF SALES

Given the fact that the main customer group for RAWLPLUG S.A.'s products and goods is the construction sector, sales are subject to seasonality. The seasonality effect applies to both Poland and the Company's foreign sales markets. The Company generates the largest portion of its revenue in the third quarter, and the smallest share in the first. Considering that sales of hand tools and power tools - which are subject to lesser seasonality than construction fixings - are gaining share in the Company's overall sales structure, the seasonality effect is lessening.

4. SUPPLY SOURCES

The products and raw materials that the Company and its subsidiaries purchase are either low-processed (e.g. plastics, steel), medium-processed (e.g. bolts, screws, simple tools) or highly-processed (power tools). They are procured on an on-going basis from domestic, European and Asian (Taiwan, Malaysia, China) suppliers. RAWLPLUG S.A. does not have suppliers that would have exclusive rights to any assortment. There is an alternative supplier for each product, resulting from the Company's long-term strategy, and none of the suppliers exceed 10% of the Group's overall procurement.

5. INVESTMENTS AND R&D

5.1. INVESTMENTS

	in PLN 000s
	2013
Non-current non-financial assets, including:	4 432
Machinery and equipment	2 881
Buildings and structures	1 262
Research and development	256
Other tangible assets	33
Non-current financial assets, including:	1 369
Loans and borrowings issued	1 367
Purchase of shares	2
TOTAL	5 801

Capital expenditures on non-current non-financial assets amounted to PLN 4 432 thousand in 2013 and mainly concerned expansion and upgrade of machinery, modernisation of buildings and R&D costs.

The Company's equity investments, amounting to PLN 1 369 thousand, comprised:

- ✓ a long-term loan to Amicus Polinae Sp. z o.o. PLN 1 367 thousand,
- ✓ purchase of shares in Koelner Ltd PLN 2 thousand,

5.2. R&D

In 2013, RAWLPLUG S.A. spend PLN 256 thousand on R&D capex, mainly consisting of outside research on epoxy resins and new fixings projects for facade insulations, together with technical documentation.

5.3. PLANS FOR 2014

In 2014, RAWLPLUG S.A. plans about PLN 7 538 thousand in capital expenditures, mostly as follows:

✓ expansion of machinery	PLN 4 669 thousand,
✓ construction, expansion and modernisation of buildings and structures	PLN 1 640 thousand,
✓ R&D, including planned expenditures on obtaining technical approvals	PLN 592 thousand,
✓ IT expansion	PLN 483 thousand,
✓ intangible assets	PLN 120 thousand,
✓ purchase of vehicles	PLN 34 thousand.

RAWLPLUG S.A.'s investments are financed using own funds and leasing.

6. HUMAN RESOURCES

As at 31 December 2013, RAWLPLUG S.A. employed 364 people.

The following table presents average employment for 2013, by work group:

	No. of people
Employment	2013
Production	236
Warehousing and distribution	103
Administration	23
Sales and marketing	11
Total	373

The majority of the Company's staff have high school education.

The Company's HR policy is based on promoting professional development and creating safe working conditions. The Company aims to hire employees that have technical high school or university education. As employer, RAWLPLUG S.A. does not discriminate and ensures equal treatment and employment conditions.

The Company's incentive policy links pay with task completion.

7. RELATED-PARTY TRANSACTIONS

The table below presented transactions with related parties, including:

- ✓ net receivables as at 31 December 2013, excluding loan receivables,
- ✓ liabilities as at 31 December 2013, excluding loan liabilities,
- ✓ revenue for the period 1 January - 31 December 2013, covering revenue from sale of products, services, goods and materials, proceeds from sale of property, plant and equipment, other operating revenues, dividend and interest income, together with income from guarantees and sureties issued,
- ✓ purchases for the period 1 January - 31 December 2013, covering procurement of goods, materials, services and property, plant and equipment, plus initial rent recorded in prepayments. The item also includes finance costs constituting interest on loans received and the cost of guarantees and sureties received.

in PLN 000s

	Revenues	Procurement	Receivables	Liabilities
Koelner Tworzywa Sztuczne Sp. z o.o.	941	6 300	-	1 646
Fabryka Pił i Narzędzi Wapienica Sp. z o.o.	99	3 418	3	1 949
Koelner Centrum Sp. z o.o.	(4)	2	-	-
Koelner CZ s.r.o.	7 434	621	665	-
Koelner Romania SRL	5 424	1 080	7 451	-
Koelner Bulgaria EOOD	3	-	2	-
Koelner Hungária Kft	5 528	671	911	-
Koelner Ltd	7	-	3 321	-
Koelner Deutschland GmbH	3 748	6	1 388	-
Koelner Vilnius UAB	5 413	1 504	164	-
Koelner Kiev Ltd	-	-	470	-
Koelner-Rawlplug Middle East FZE	7 532	1	6 779	-
Koelner Scandinavia AB	3 352	34	476	-
Koelner Łańcucka Fabryka Śrub sp. z o.o.	102	22 056	-	12 938
Rawlplug Ireland Ltd	1 440	-	1 336	-
Rawl France SAS	15 211	425	2 741	67
Rawlplug Ltd	24 312	29	10 500	20
Stahl GmbH	2 175	124	608	-
Amicus Polinae sp. z o.o.	958	1 333	-	95
Herco Fixings Ltd	926	-	771	-
Koelner Trading KLD LLC	2 802	-	6 964	-
Farmlord Trading Ltd	1	-	-	-
Koelner Rawlplug IP Sp. z o.o.	1 814	20 444	-	2 844
Koelner - Inwestycje Budowlane Sp. z o.o.	260	1 182	-	359
LeoTex Ltd	7 432	-	1 071	2
Key personnel and their related parties	62	141	57	12
Koelner Polska Sp. z o.o.	163 542	308	32 742	-
TOTAL	260 514	59 679	78 420	19 932

As at 31 December 2013, receivables from long-term loans amounted to PLN 30 279 thousand, including:

- ✓ PLN 22 076 thousand from Amicus Polinae Sp. z o.o.,
- ✓ PLN 3 750 thousand from Koelner Romania SRL,
- ✓ PLN 1 659 thousand from Koelner-Rawlplug Middle East FZE,
- ✓ PLN 1 577 thousand from Koelner Trading KLD LLC,
- ✓ PLN 502 thousand from Koelner CZ s.r.o.,
- ✓ PLN 426 thousand from Rawlplug Ireland Ltd,
- ✓ PLN 289 thousand from Koelner Ltd.

Finance income on loan interest received during the period 1 January - 31 December 2013 was PLN 1 282 thousand, including:

- ✓ PLN 958 thousand from Amicus Polinae Sp. z o.o.,
- ✓ PLN 169 thousand from Koelner Romania SRL,
- ✓ PLN 45 thousand from Koelner CZ s.r.o.,
- ✓ PLN 43 thousand from Koelner Trading KLD LLC,
- ✓ PLN 31 thousand from Koelner-Rawlplug Middle East FZE,
- ✓ PLN 26 thousand from related parties of key personnel,
- ✓ PLN 7 thousand from Koelner Ltd.
- ✓ PLN 2 thousand from Rawlplug Ireland Ltd,
- ✓ PLN 1 thousand from Farmlord Trading Ltd.

As at 31 December 2013, loan liabilities amounted to PLN 72 404 thousand, including:

- ✓ PLN 15 059 thousand towards Koelner - Tworzywa Sztuczne Sp. z o.o.,
- ✓ PLN 13 539 thousand towards Koelner Rawlplug IP Sp. z o.o.,
- ✓ PLN 12 994 thousand towards Koelner Hungária Kft,
- ✓ PLN 11 476 thousand towards Koelner - Inwestycje Budowlane Sp. z o.o.,
- ✓ PLN 6 895 thousand towards Koelner Łańcucka Fabryka Śrub Sp. z o.o.,
- ✓ PLN 6 241 thousand towards Stahl GmbH,
- ✓ PLN 6 200 thousand towards Wapienica Sp. z o.o.

Finance costs on loan interest paid during the period 1 January - 31 December 2013 was PLN 2 250 thousand, including:

- ✓ PLN 609 thousand towards Koelner Hungária Kft,
- ✓ PLN 439 thousand towards Koelner Rawlplug IP Sp. z o.o.,
- ✓ PLN 377 thousand towards Koelner - Tworzywa Sztuczne Sp. z o.o.,
- ✓ PLN 283 thousand towards Fabryka Pił i Narzędzi Wapienica Sp. z o.o.,

- ✓ PLN 235 thousand towards Koelner Łańcucka Fabryka Śrub Sp. z o.o.,
- ✓ PLN 147 thousand towards Koelner - Inwestycje Budowlane Sp. z o.o.,
- ✓ PLN 124 thousand towards Stahl GmbH,
- ✓ PLN 30 thousand towards Koelner Polska Sp. z o.o.,
- ✓ PLN 6 thousand towards Koelner Deutschland GmbH.

Information about guarantees and sureties, both issued and received, is presented in points 8 and 9.

Related-party transactions were executed on market terms, and their nature and terms result from the on-going operating activities of the Company or its subsidiaries.

8. INFORMATION ABOUT LOANS, SURETIES AND GUARANTEES ISSUED AND CREDIT FACILITIES RECEIVED

In 2013, RAWLPLUG S.A. did not issue guarantees or sureties, the value of which would exceed 10% of RAWLPLUG's equity.

As at 31 December 2013, RAWLPLUG S.A. held contingent liabilities on sureties and guarantees issued to subsidiary Koelner Łańcucka Fabryka Śrub Sp. z o.o., amounting to a total of PLN 55 098 thousand. A detailed list is presented in the table below.

Entity receiving the surety	Beneficiary	Surety / guarantee liabilities (in PLN 000s)	Object of collateral	Term of surety / guarantee
Koelner Łańcucka Fabryka Śrub sp. z o.o.	ING Bank Śląski S.A.	187	Credit agreement	31.05.2014
Koelner Łańcucka Fabryka Śrub sp. z o.o.	ING Bank Śląski S.A.	130	Credit agreement	31.05.2014
Koelner Łańcucka Fabryka Śrub sp. z o.o.	ING Bank Śląski S.A.	8 800	Credit agreement	27.05.2014
Koelner Łańcucka Fabryka Śrub sp. z o.o.	Bank DnB NORD Polska S.A.	27 286	Credit agreement	30.06.2014
Koelner Rawlplug IP Sp. z o.o.	Suppliers	6	Supplies / services	10.12.2015
Koelner Polska Sp. z o.o.	Suppliers	153	Supplies / services	10.12.2015
Koelner Rawlplug IP Sp. z o.o.	Raiffeisen Leasing Polska S.A.	533	Leasing	from 31 May 2015 to 30 November 2018
Koelner Polska Sp. z o.o.	Raiffeisen Leasing Polska S.A.	1 709	Leasing	from 31 May 2015 to 31 May 2018
Koelner-Inwestycje Budowlane Sp. z o.o.	Raiffeisen Leasing Polska S.A.	7	Leasing	30.09.2014
Rawlplug Ireland Ltd	Ulster Bank Commercial Services Ltd	1 244	Credit agreement	indefinite

Koelner Łańcucka Fabryka Śrub sp. z o.o.	ING Lease Polska Sp. z o.o.	5 535	Leasing	01.02.2017
Koelner Łańcucka Fabryka Śrub sp. z o.o.	Suppliers	9 508	Supplies / services	01.01.2014

9. INFORMATION ABOUT SURETIES AND GUARANTEES RECEIVED

In 2013, RAWLPLUG S.A. received the following guarantees and sureties.

- ✓ On 3 March 2013, RAWLPLUG S.A. signed an overdraft agreement with BNP Paribas Bank Polska S.A. Repayment of the credit facility was secured via, among others, a financial pledge on shares in RAWLPLUG S.A. held by Amicus Polinae Sp. z o.o. with a total value of no less than PLN 30 000 thousand.
- ✓ Pursuant to annex 22, signed on 13 March 2013, to a framework credit facility agreement executed between RAWLPLUG S.A. and Raiffeisen Bank Polska S.A., the credit amount was increased to PLN 82 000 thousand. In connection with the increase, additional collateral was established, including a corporate guarantee issued by Koelner Polska Sp. z o.o. and Koelner Łańcucka Fabryka Śrub Sp. z o.o. up to PLN 20 000 thousand.
- ✓ On 31 October 2013, annex 10 to an agreement between RAWLPLUG S.A. and ING Bank Śląski S.A. concerning a PLN working capital facility in the form of a revolving credit line was signed. Repayment of the facility was secured via, among others, a surety issued by Koelner Łańcucka Fabryka Śrub Sp. z o.o. and FPiN Wapienica Sp. z o.o. The annex changed the credit amount to PLN 22 000 thousand, until 28 January 2014. From 29 January 2014 to 31 May 2014, the amount will be PLN 20 000 thousand. Compared with 31 December 2012, the surety was increased by PLN 2 000 thousand.

10. SIGNIFICANT AGREEMENTS

The following table presents significant agreements of RAWLPLUG S.A. An agreement is considered as significant if its value is equal to at least 10% of the Company's equity.

10.1. INSURANCE AGREEMENTS

Agreements executed by RAWLPLUG S.A.:

Insurance	Insurer	Value	Subject and scope of insurance
Insurance for company assets, insurance for loss of profit Insuring party: RAWLPLUG S.A.	Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.	PLN 226 334 thousand	buildings and structures, together with infrastructure, unfinished investments, adaptive expenditures on third-party property, plant and equipment, machinery and equipment, current assets and cash and cash equivalents
Insurance for property in transit Insuring party: Koelner Rawlplug IP Sp. z o.o. Insured: Rawlplug S.A and other Rawlplug Group companies	AIG Europe Limited Sp. z o. o. Oddział w Polsce	PLN 385 948 thousand total, including PLN 102 554 000 for Rawlplug S.A.	property in transit - construction fastening systems, tools, saws, blades, power tools and construction chemistry; means of transport: vehicle, air, sea; type of transport: own, third-party

Insurance on loss of profits; insurance against electronic equipment, machinery and equipment failure	Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.	PLN 69 940 thousand	automated high-storage warehouse, technology system, warehouse sorting infrastructure, stationary equipment
Insuring party: RAWLPLUG S.A.			

10.2. CREDIT AGREEMENTS

Borrower	Bank	Contractual amount		Type of credit facility
		PLN	Currency	
RAWLPLUG S.A.	BZ WBK S.A.	PLN 55 016 thousand	-	Investment credit
RAWLPLUG S.A.	Raiffeisen Bank Polska S.A.	PLN 82 000 thousand	-	Framework revolving credit facility

10.3. SURETY AGREEMENTS

Borrower	Guarantor	Bank	Amount of guarantee	
			As per the agreement	As at 31 December 2013
Koelner Łańcucka Fabryka Śrub sp. z o.o.	RAWLPLUG S.A.	Bank DnB NORD Polska S.A.	PLN 44 607 thousand	PLN 27 285 thousand

11. FINANCIAL RESULTS

RAWLPLUG S.A.				
PLN 000s	31.12.2013	31.12.2012	% change	
Revenue from sales	285 248	314 130	(9.2)%	
Cost of sales	(231 139)	(231 204)	0.0%	
Gross profit on sales	54 109	82 926	(34.8)%	
Selling costs	(39 282)	(67 598)	(41.9)%	
Administrative expenses	(14 242)	(18 964)	(24.9)%	
Profit on sales	585	(3 636)	116.1%	
Other operating revenues	12 637	10 398	21.5%	
Other operating expenses	(9 820)	(12 366)	(20.6)%	
Operating profit	3 402	(5 604)	160.7%	
Finance income	21 146	20 170	4.8%	
Finance costs	(13 715)	(15 508)	(11.6)%	
Gross profit	10 833	(942)	1 250.0%	
Income tax	1 521	3 101	(51.0)%	
Net financial result	12 354	2 159	472.2%	
Depreciation	6 939	8 763	(20.8)%	
EBITDA	10 341	3 159	227.4%	

Net revenue from sales was PLN 285 248 thousand in 2013, down 9.2% on the previous year. The decrease resulted from a restructuring carried out, pursuant to which domestic sales were transferred to Koelner Polska Sp. z o.o.

In 2013, the Company recorded PLN 12 354 thousand in net profit, compared with PLN 2 159 thousand in 2012.

11.1.ASSET AND LIABILITY STRUCTURE

RAWLPLUG S.A.

Selected balance sheet items (PLN 000s)	31.12.2013	31.12.2012	% change
Carrying amount	596 838	594 004	2 834
Non-current assets	393 883	395 227	(1 344)
Current assets	202 955	198 777	4 178
Inventories	97 365	101 600	(4 235)
Receivables and prepayments	97 145	86 524	10 621
Current financial assets	8 203	8 401	(198)
Cash and cash equivalents	242	2 252	(2 010)
Equity	281 261	268 907	12 354
Liabilities and liability provisions	315 577	325 097	(9 520)
Non-current liabilities	56 172	27 703	28 469
Loans and borrowings	56 169	27 269	28 900
Current liabilities	255 317	283 116	(27 799)
Loans and borrowings	171 009	186 254	(15 245)
Trade payables	76 645	87 321	(10 676)
Share of non-current assets	66.0%	66.5%	
Share of current assets	34.0%	33.5%	
Share of inventories in current assets	48.0%	51.1%	
Share of receivables in current assets	47.9%	43.5%	

The carrying amount increased by PLN 2 834 thousand in 2013.

On the asset side, non-current assets decreased by PLN 1 344 thousand, while current assets increased by PLN 4 178 thousand.

Within current assets, receivables increased (by PLN 10 621 thousand), while inventories and cash and cash equivalents decreased (by PLN 4 235 thousand and PLN 2 010 thousand, respectively).

On the equity and liabilities side, equity increased by PLN 12 354 thousand, and liabilities fell by PLN 9 520 thousand.

11.2.REVENUE FROM SALES

RAWLPLUG S.A.'s sales

Sales location	January-December 2013		January-December 2012		Change	
	PLN 000s	% share	PLN 000s	% share	PLN 000s	%
Domestic	159 865	56.0	188 912	60.1	(29 047)	(15.4)
Export	125 383	44.0	125 218	39.9	165	0.1
Total	285 248	100.0	314 130	100.0	(28 882)	(9.2)

11.2.1. DOMESTIC SALES

RAWLPLUG S.A.'s domestic sales in 2013 were incomparable with 2012. Starting in 2013, domestic sales are carried out via Koelner Polska Sp. z o.o., therefore comparisons should include figures from that company.

2013's first quarter, with its long winter and the resulting lower demand, contributed to a fall in H1 2013 revenue by 9% in comparison with the same period in 2012. In Q2 2013, conditions improved, leading to higher domestic sales than in Q2 2012. The year's second half saw a substantial improvement in sales, and the Company's full-year revenue decreased 2.6% in comparison with 2012, compensating for the poor performance in H1. Sales in 2013 were augmented by new products in the portfolio, including brands such as Nilfisk, Stanley and Milwaukee, which make for excellent additions to the Company's existing product offering, and the development of DIY and OEM distribution channels. In line with the adopted strategy, 2013 saw a gradual decrease in the share of low-processed products in overall sales, and an enhanced emphasis on highly-tech products under the RAWLPLUG brand.

In 2013, RAWLPLUG S.A. recorded 8% growth in sales compared with the same period in 2012, alongside a visible multi-faceted improvement in conditions in the construction industry, which is a particularly good indication for 2014. The commissioned marketing campaigns for NILFISK in DIY chains are also a good indicator for 2014, and particularly the first half of the year (due to the brand's sales seasonality).

11.2.2. FOREIGN SALES

RAWLPLUG's foreign sales in 2013 amounted to PLN 125 383 thousand, similar to 2012. Maintaining the level of sales should be considered satisfactory, given the unfavourable conditions in the construction sector in Central and Eastern Europe. The sector decreased by up to 20% y/y in countries such as Romania, Bulgaria, Macedonia, Ukraine, Belarus and Moldova. The decreases were mostly the result of a currency crisis (Belarus), a political crisis (Ukraine) and a slowdown in investment financing (Romania, Bulgaria). Sales in Western Europe recorded growth, which reflects the improving conditions in the construction sector in this part of Europe, including in countries such as the U.K., France and Italy. Considering the increases in certain areas and decreases in others, RAWLPLUG S.A.'s export sales maintained a consistent level.

RAWLPLUG S.A.

Sales location	in PLN 000s	% share
European Union	254 795	89
Other countries	30 453	11
TOTAL	285 248	100

The share of EU sales in total revenue was 89%, and the other countries accounted for 11% in 2013. The y/y increase in the share of sales outside the EU results from the Company's growing sales levels outside of Europe - mainly in the Near and Middle East. Considering the sales expansion in new non-European markets planned for the coming years, these proportions should slightly change in the future in favour of higher sales outside the EU.

11.2.3.PRODUCT STRUCTURE

Assortment	January-December 2013		January-December 2012		Change	
	PLN 000s	% share	PLN 000s	% share	PLN 000s	%
Products and services	191 742	67.2	204 533	65.1	(12 791)	(6.25)
Goods and materials	93 506	32.8	109 597	34.9	(16 091)	(14.7)
Total	285 248	100.0	314 130	100.0	(28 882)	(9.2)

Revenue from sales generated in 2013 was 9.2% lower than in the same period last year (change of business model). The share of goods and materials in the overall sales structure increased in 2013, from 65.1% in 2012 to 67.2% in 2013.

11.3.OPERATING EXPENSES

PLN 000s	31.12.2013	31.12.2012	% change
Selling costs	39 282	67 598	(41.9)
Administrative expenses	14 242	18 964	(24.9)
Operating expenses	53 524	86 562	(38.2)

PLN 000s	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Selling costs	9 770	11 056	9 876	8 580	14 730
Administrative expenses	3 355	3 504	3 441	3 942	5 254
Operating expenses	13 125	14 560	13 317	12 522	19 984
Share of costs in sales	18.2%	18.5%	17.5%	21.6%	31.1%

As a result of a change in the business model (transfer of domestic sales to Koelner Polska Sp. z o.o.), operating expenses in 2013 were incomparable with those of 2012.

In 2013, RAWLPLUG S.A. recorded a 38.2% decrease in operating expenses compared with the previous year. Expenses as a percentage of sales decreased from 31.1% to 18.2%. In the cost structure, selling costs decreased by 41.9% and administrative expenses by 24.9%.

The management continues to work on reducing costs and adapting them as closely as possible to sales, so as to ensure that decreases in sales will not result in losses.

11.4.FINANCING ACTIVITIES

PLN 000s	31.12.2013	31.12.2012	% change y/y
Finance income	21 146	20 170	4.8
Finance costs	(13 715)	(15 508)	(11.6)
Result on financing activities	7 431	4 662	59.4

PLN 000s	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Finance income	617	607	8 910	11 012	2 251
Finance costs	(3 175)	(2 949)	(4 240)	(3 351)	(3 317)
Result on financing activities	(2 558)	(2 342)	4 670	7 661	(1 066)

In 2013, RAWLPLUG S.A. generated PLN 21 146 thousand in finance income and incurred PLN 13 715 thousand in finance costs.

Finance income comprised:

- ✓ dividends from subsidiaries: PLN 18 692 thousand,
- ✓ interest received: PLN 1 384 thousand,
- ✓ income on guarantees and sureties issued: PLN 1 069 thousand,
- ✓ other: PLN 1 thousand.

Finance costs comprised:

- ✓ interest on credit, loans and leasing: PLN 9 805 thousand,
- ✓ cost of guarantees and sureties received: PLN 2 284 thousand,
- ✓ commission on credit facilities: PLN 831 thousand,
- ✓ negative exchange differences: PLN 553 thousand,
- ✓ other interest: PLN 242 thousand.

As at 31 December 2013, RAWLPLUG S.A. did not have any outstanding futures contracts.

The management continues to prioritise cost optimisation in both operating and financing activities. This will be effected through more streamlined corporate processes, reduction in unnecessary jobs, reduction in bank margins and use of natural currency hedging in as much as practicable.

11.5. PROFITABILITY RATIOS

Profitability ratios	31.12.2013	31.12.2012
Gross sales margin	19.0%	26.4%
Operating margin	1.2%	(1.8)%
Net margin	4.3%	0.7%
Return on assets	2.1%	0.4%
Return on equity	4.4%	0.8%

Ratio methodology:

- ✓ Gross sales margin = gross profit on sales / revenue from sales
- ✓ Operating margin = operating profit / revenue from sales
- ✓ Net margin = net profit / revenue from sales
- ✓ Return on assets = net profit / total assets
- ✓ Return on equity = net profit / equity

Sales margin I decreased in 2013 (change of business model) and all other profitability ratios improved. The Company is profitable in all areas and maintains all profitability ratios at comfortable levels.

11.6. LIQUIDITY RATIOS

Liquidity ratios	31.12.2013	31.12.2012
Current ratio	0.79	0.70
Quick ratio	0.41	0.34

Ratio methodology:

- ✓ Current ratio = current assets / current liabilities
- ✓ Quick ratio = (current assets - inventory) / current liabilities

As at 31 December 2013, liquidity ratios were as follows: current ratio 0.79, quick ratio 0.41. Liquidity ratios remain at a safe level.

11.7. DEBT RATIOS

Debt ratios	31.12.2013	31.12.2012
Debt ratio	52.87%	54.73%
Financial leverage	1.12	1.21
Equity to assets	0.71	0.68
Long-term debt ratio	9.41%	4.66%
Non-current liabilities to liabilities	17.80%	8.52%

Ratio methodology:

- ✓ Debt ratio = current and non-current liabilities / total assets
- ✓ Financial leverage = current and non-current liabilities / equity
- ✓ Equity to assets = equity / total assets
- ✓ Long-term debt ratio = non-current liabilities / total assets
- ✓ Non-current liabilities to liabilities = non-current liabilities to liabilities

In 2013, the Company's debt ratios fell from 54.73% to 52.87%, and debt shifted towards long-term (non-current debt increased from 4.66% of the balance sheet total to 9.41% and from 8.52% of total debt to 17.80%).

11.8. PROGRESS VERSUS PREVIOUSLY PUBLISHED GUIDANCE

The management did not publish financial guidance for 2013.

11.9. FACTORS AND EXTRAORDINARY EVENTS HAVING AN IMPACT ON FINANCIAL RESULTS

Not applicable.

11.10. FINANCIAL MANAGEMENT

In 2013, the main interest rates, which are used to measure borrowing costs, were cut. On the one hand, this led to a decrease in bank interest costs, while on the other the lower returns on banking products led banks to pressure margin increases, which grew slightly in 2013. Furthermore, in 2013 the Company obtained an additional approx. PLN 10 000 thousand in credit lines. This improved product availability.

11.11. FINANCIAL RISK MANAGEMENT

RAWLPLUG S.A. is both importer and exporter and hence applies a substantial degree of natural hedging. However, given its continued expansion in Western Europe, there is a growing imbalance in EURUSD, with an excess of EUR and shortage of USD. The management is currently not considering using derivatives to hedge currency items (exchanging EUR for USD). However, should unfavourable changes occur in foreign exchange markets, the Company has appropriate credit lines intended for derivatives.

The Company does not apply hedge accounting.

As at 31 December 2013, RAWLPLUG S.A. did not have any futures contracts.

In measuring balance sheet items, the management aims to balance out foreign-currency items through natural hedging in as far as practicable.

12. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 1 March 2014, RAWLPLUG S.A. received a signed annex to a framework revolving credit facility agreement with Raiffeisen Bank Polska S.A. of 26 June 2003. As per the agreement, the current limit is PLN 70 000 thousand. The final repayment date is 31 January 2017. On 4 March 2014, RAWLPLUG S.A. received a signed trilateral Multi-Product Agreement between Rawlplug S.A., Koelner Łańcucka Fabryka Śrub Sp. z o.o. – a subsidiary of the Issuer, and ING Bank Śląski S.A. (the “Bank”). Under the agreement, the Bank is providing a revolving credit facility up to PLN 50 000 thousand. The repayment date is 2 March 2016.

As part of the credit facility, the Bank is providing:

- 1) RAWLPLUG S.A. with a PLN 45 000 thousand sub-limit, to be used as a working capital facility,
- 2) RAWLPLUG S.A. and Koelner Łańcucka Fabryka Śrub Sp. z o.o. with a PLN 5 million sub-limit, to be used as letters of credit issued by the Bank.

Interest is based on reference rates: WIBOR, EURIBOR or LIBOR (depending on the currency of the letters of credit), plus bank margin. The remaining terms do not differ from the standard terms applied to this type of agreement.

On 13 March 2014, the Company received a signed agreement concerning a PLN 53 140 thousand short-term credit facility from Bank Handlowy w Warszawie S.A. The agreement provides the following repayment dates: PLN 18 000 thousand by 30 April 2014 and PLN 35 140 thousand by 30 June 2014. Interest is calculated based on WIBOR plus bank margin. The terms of the facility do not differ from the standard terms applied to this type of agreement. The signed agreement constitutes a part of a substantial restructuring of RAWLPLUG Group's financing structure. The ongoing restructuring programme includes the implementation of comprehensive international factoring within the RAWLPLUG Group and the conversion of existing short-term credit facilities to 2- and 3-year medium-term facilities (announced by the Issuer in current reports no. 2/2014 of 1 March 2014 and no. 3/2014 of 4 March 2014). The implementation of factoring solutions will markedly improve Rawlplug Group's liquidity through a significantly more efficient receivables management process. The conversion of short-term to medium-term facilities will help stabilise

Rawlplug Group's financing structure. The above short-term overdraft facility agreement is a type of bridge financing, intended as a transition from credit financing to factoring through the partial repayment of existing credit facilities. Instead of the five banks currently used, RAWLPLUG Group's target financing structure will involve three entities: the factor (Bank Handlowy w Warszawie S.A.) and two banks (Raiffeisen Bank Polska S.A. and ING Bank Śląski S.A.).

13. ENTITY AUTHORISED TO AUDIT THE FINANCIAL STATEMENTS

Through a decision of the supervisory board of KOELNER S.A. (currently RAWLPLUG S.A.) of 11 June 2013, the entity authorised to audit RAWLPLUG S.A.'s separate financial statements and RAWLPLUG Group's consolidated financial statements is Grant Thornton Frąckowiak Sp. z o.o. S.k., based in Poznań, ul. Abpa Antoniego Baraniaka 88 E, entered into the list of entities authorised to audit financial statements held by the National Chamber of Statutory Auditors in Poland under number 3654. The Company previously retained Grant Thornton Frąckowiak Sp. z o.o. (general partner Grant Thornton Frąckowiak Sp. z o.o. S.k.) in 2004-2008 (the company operated under the name HLB Frąckowiak Sp. z o.o.) and in 2010 as regards review and audit of separate and consolidated financial statements and tax advisory. In 2011 and 2012 the above services were performed by Grant Thornton Frąckowiak Sp. z o.o. S.k. The agreement signed on 20 June 2013 covers the following:

- ✓ review of RAWLPLUG S.A.'s separate financial statements for H1 2013;
- ✓ review of RAWLPLUG Group's consolidated financial statements for H1 2013;
- ✓ audit of RAWLPLUG S.A.'s separate financial statements for FY 2013;
- ✓ audit of RAWLPLUG Group's consolidated financial statements for FY 2013.

Presented in the table below is total remuneration for review and audit of financial statements resulting from the agreement (in PLN 000s):

	in PLN 000s	
	2013	2012
Review	68	70
Audit	35	36
Tax advisory	20	18

14. STATEMENT ON APPLICATION OF CORPORATE GOVERNANCE STANDARDS

14.1. INDICATION OF THE CORPORATE GOVERNANCE STANDARDS TO WHICH THE ISSUER IS SUBJECT, TOGETHER WITH THE LOCATION WHERE THE TEXT CONCERNING SUCH PRINCIPLES IS PUBLICALLY AVAILABLE

RAWLPLUG S.A. is subject to the standards specified in "Best practices of WSE-listed companies," adopted by the Warsaw Stock Exchange Council on 4 July 2007, as amended. The set of corporate governance standards is available online at <http://corp-gov.gpw.pl/>, the WSE's website dedicated to corporate governance. The statement on application of corporate governance standards is available in the IR section of the Company's website (www.rawlplug.com).

14.2. INFORMATION ON THE EXTENT TO WHICH THE ISSUER DIVERGED FROM THE SET OF CORPORATE GOVERNANCE STANDARDS, INDICATION OF THOSE STANDARDS AND REASONS FOR THEIR OMISSION

In 2013, RAWLPLUG S.A. decided not to apply the following corporate governance standards:

Chapter I Recommendations regarding best practices for listed companies

12. *The Company should enable shareholders to participate in general meetings using electronic means of communication.*

The Company does not apply this standard, and does not intend to do so in the future, due to the following:

- ✓ too much risk connected with technical problems that may arise during meetings via electronic means, which could result in shareholder(s) not being able to exercise their voting rights, and
- ✓ low level of interest in this type of communications from the Company's shareholders.

Chapter II. Best practices for listed-company management board members:

9.a) *Audio or video recording of general meetings.*

Presently, the Company does not employ audio or video recording of general meetings. The Company did, however, begin preparations to apply this standard in the near future.

Chapter III. Best practices for supervisory board members:

1. *Aside from the activities specified by the provisions of law, the supervisory board should:*

1) *review and present to the general meeting a concise annual assessment of the company's situation, with consideration given to assessment of the company's internal control system and risk management system,*

The supervisory board prepares for the general meeting a separate concise assessment of the Company's situation in the scope indicated in the above standard. According to the Company, the supervisory board's annual assessment of the management report and financial statements contains all elements essential for the general meeting to correctly evaluate the Company's situation.

(...)

3) *examine and issue opinions on matters that are to be the subject of general meeting resolutions.*

The Company's articles of association currently does not provide for examining and issuing opinions by the supervisory board on matters that may be the subject of general meeting resolutions. The reason for non-compliance with the

standard regarding examining and issuing opinions by the supervisory board on matters which may be the subject of general meeting resolutions is the fact that the binding provisions of the Polish Commercial Companies Code do not impose this type of requirement on the supervisory board as an authority of a public limited company. Given the above, the Company did not provide for this requirement in its articles of association and therefore is now unable to impose it on members of its supervisory board. However, it cannot be ruled out that the Company will decide to amend its articles of association in this regard in the near future.

8. *Within the tasks and operations of committees functioning within the supervisory board, Annex I to the European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors (...) should be applied.*

The nominations committee and remunerations committee functions at the Company are performed by the supervisory board as a peer group.

IV. Shareholder best practices

10. *The Company should enable shareholders to participate in general meetings using electronic means of communication.*

The Company does not apply this standard, and does not intend to do so in the future, due to the following:

- ✓ too much risk connected with technical problems that may arise during meetings via electronic means, which could result in shareholder(s) not being able to exercise their voting rights, and
- ✓ low level of interest in this type of communications from the Company's shareholders.

14.3. DESCRIPTION OF THE KEY FEATURES OF THE ISSUER'S INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM, AS THESE RELATE TO THE PROCESS OF PREPARING SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

The Company prepares financial statements and periodic reports with observance of the Accounting Act as well as the regulations and requirements concerning listed-company reporting.

The management board is responsible for the Company's internal control system and its functioning in the process of preparing financial statements.

Technical supervision over the process of preparing financial statements and periodic reports is performed by the Company's finance director.

The accounting and financial reporting department, together with the management accounting department, are responsible for organising work on preparing annual and interim financial statements.

Financial data constituting the basis for financial statements and periodic reports is taken from the Company's accounting and financial system, where all transactions are recorded in accordance with the Company's adopted accounting principles.

Once approved by the chief accountant, financial statements are provided to the finance director for preliminary evaluation and subsequently to the management board, in full composition, for final evaluation.

Annual and interim financial statements are subject to independent audit and review by a statutory auditor. Results of the review and audit are presented to the chief accountant and finance director at a meeting.

The supervisory board performs an annual review of the Company's financial statements for the preceding year and issues recommendations to the general meeting concerning their approval.

14.4. INDICATION OF SHAREHOLDERS DIRECTLY OR INDIRECTLY HOLDING SIGNIFICANT STAKES, TOGETHER WITH INDICATION OF THE NUMBER OF SHARES HELD BY SUCH ENTITIES, THEIR SHARE IN CAPITAL, THE NUMBER OF VOTES CARRIED BY SUCH SHARES AND THEIR SHARE IN THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING

The Company's shareholding structure as at 31 December 2013:

Shareholder	Number of shares	% in share capital	Number of votes at the general meeting	% of votes at the general meeting
Amicus Polinae Sp. z o.o.	17 602 750	54.06	17 602 750	54.06
PKO BP BANKOWY PTE	2 933 639	9.01	2 933 639	9.01
ING OFE	2 842 138	8.73	2 842 138	8.73
Radosław Koelner	2 044 750	6.28	2 044 750	6.28
Other	7 136 723	21.92	7 136 723	21.92
TOTAL	32 560 000	100.00	32 560 000	100.00

14.5. HOLDERS OF SECURITIES WITH SPECIAL CONTROL ENTITLEMENTS, TOGETHER WITH DESCRIPTION THEREOF

Not applicable.

14.6. INDICATION OF ALL LIMITATIONS RELATING TO EXERCISE OF VOTING RIGHTS, SUCH AS A LIMITATION CONCERNING EXERCISE OF VOTING RIGHTS BY HOLDERS OF A SPECIFIED STAKE OR NUMBER OF VOTES, TIME LIMITATIONS CONCERNING EXERCISE OF VOTING RIGHTS - PURSUANT TO WHICH, AND WITH THE COMPANY'S SUPPORT, THE ENTITLEMENTS ATTACHED TO SECURITIES ARE SEPARATED FROM OWNERSHIP OF SUCH SECURITIES

Not applicable.

14.7. INDICATION OF ALL LIMITATIONS CONCERNING TRANSFER OF SECURITIES OWNERSHIP

Not applicable.

14.8. DESCRIPTION OF PRINCIPLES CONCERNING THE APPOINTMENT AND DISMISSAL OF MANAGEMENT PERSONNEL AND THEIR ENTITLEMENTS, IN PARTICULAR THE RIGHT TO MAKE DECISIONS ON THE ISSUE OR BUYBACK OF SHARES

The Company may be represented by each management board member individually. The Company may also be represented by attorneys appointed by the management board pursuant to, and within the scope of, the relevant power of attorney. The management board term is three years and commences on the election date.

Management board meetings are held as and when needed, however at least once every quarter. Minutes are kept at management board meetings.

The management board manages the Company's business, its movables and immovables and its rights, as well as adopts resolutions and makes decisions in all matters which are not reserved for the general meeting or supervisory board.

Management board resolutions may be adopted if all persons entitled to participate in management board meetings had been properly invited, and at least two management board members are present.

Management board resolutions are adopted by an absolute majority of votes cast, unless the articles of association state otherwise.

The following activities require management board resolutions:

- a) incurrence of debt other than regular trade credit;
- b) issue of shares, bonds, warrants or promissory notes;
- c) provision of collateral for any debt of another entity, including subsidiaries;
- d) establishment of a mortgage or any other encumbrance of the Company's assets;
- e) execution of an agreement resulting in the Company's obligation - or a risk of such an obligation arising - to provide, within a single financial year, items, services or cash in an amount exceeding PLN 2 000 000.00, unless the execution of such an agreement is included in the Company's annual financial plan (budget) adopted by the management board and approved by the supervisory board;
- f) calling a general meeting or supervisory board meeting;
- g) submission of a court request to declare as invalid or to waive general meeting resolutions;
- h) submission of a court request to declare the Company's bankruptcy.

The Company's articles of association do not grant any special authorisation to the management board as regards decisions on issue or buyback of shares. In accordance with the articles of association, however, prior to a decision on issue of shares the management board is required to adopt a relevant resolution.

14.9. DESCRIPTION OF THE PRINCIPLES FOR AMENDING THE COMPANY'S ARTICLES OF ASSOCIATION

Pursuant to §16 sec. 2 point 1 of RAWLPLUG S.A.'s articles of association, all changes thereto are reserved exclusively for the general meeting. All matters concerning amendment of articles of association are exclusively regulated by the absolutely binding provisions of the Polish Commercial Companies Code, and the Company's articles of association do not contain any special provisions in this regard.

14.10. MODUS OPERANDI OF THE GENERAL MEETING, ALONG WITH ITS MAIN AUTHORISATIONS; DESCRIPTION OF SHAREHOLDER RIGHTS AND THE MEANS OF THEIR EXERCISE, IN PARTICULAR THOSE RESULTING FROM THE GENERAL MEETING RULES, IF THESE WERE ADOPTED, UNLESS SUCH INFORMATION IS NOT PROVIDED FOR BY THE PROVISIONS OF LAW

The general meeting operates pursuant to the provisions of the Polish Commercial Companies Code and the Company's articles of association. The means of organising general meetings are described in the general meeting regulations adopted by the general meeting. The regulations are available online at www.rawlplug.com.

As per the articles of association in effect in 2013, the general meeting may be held at the Company's registered office.

General meetings are called by the Company's management board.

An ordinary general meeting should take place no later than six months from the end of the financial year.

The supervisory board has the right to call an ordinary general meeting if the management board does not do so within the above time period. It may also call an extraordinary general meeting if it deems doing so appropriate and the management does not do so within two weeks from announcement of the relevant request by the supervisory board.

Shareholder(s) representing at least one tenth of share capital may request that an extraordinary general meeting be called and may introduce specific matters onto the agenda of the nearest general meeting. Such a request should be submitted to the management board in writing at least a month before the proposed date for the general meeting.

A general meeting is called via an announcement placed in the court gazette Monitor Sądowy i Gospodarczy and in a current report.

Draft resolutions for the general meeting are presented to shareholders within the time limits specific by laws on trade in financial instruments, the Polish Commercial Companies Code and other relevant regulations.

Authorised to participate in a general meeting and exercise voting rights are shareholders who at least a week before the general meeting registered deposit certificates issued by an entity managing securities accounts, in accordance with the regulations governing trade in financial instruments.

Shareholders have the right to participate in a general meeting either personally or through attorneys. A power of attorney should be granted in writing, on pain of nullity.

The main rights and obligations of shareholders authorised to participate in a general meeting are as follows:

1. exercising voting rights,
2. submitting requests,
3. requesting secret ballots,
4. submitting appeals and requiring that they be entered into minutes,
5. submitting questions and requesting explanations from members of the Company's authorities present at the meeting as regards items on the meeting's agenda,
6. observing the meeting's agenda, legal regulations, provisions of the articles of association, the general meeting rules, and good practices.

Each shareholder participating in the general meeting has the right to propose candidates for all positions being filled in.

The rules for appointment of the supervisory board by the general meeting are specified in the Company's articles of association.

The general meeting is valid regardless of the number of shares represented.

General meeting resolutions are adopted by an absolute majority of votes, unless the provisions of the Polish Commercial Companies Code or the Company's articles of association state otherwise.

Voting may be done with or without the use of an electronic voting and vote counting system.

In matters not included on the meeting's agenda, resolutions may not be adopted, unless the entire share capital is represented at that general meeting and no one appeals adoption of such a resolution.

According to the articles of association in effect in 2013, other than the matter specified in the Polish Commercial Companies Code, general meeting resolutions may concern the following:

- 1) examining and approving the Company's financial statements and management report, together with the supervisory board report, for the previous financial year,
- 2) adopting resolutions on the distribution of profit or coverage of loss from prior years,
- 3) adopting resolutions concerning votes of approval for members of the Company's authorities,

- 4) electing the Company's new authorities, if these are elected by the general meeting and the mandates of their members expire on the general meeting date.

In addition, the following competences lie exclusively with the general meeting:

- 5) appointment and dismissal of supervisory board members, subject to § 18 of the Company's articles of association,
- 6) amendment to the Company's articles of association,
- 7) issue of convertible bonds or bonds with pre-emptive rights to the Company's shares,
- 8) issue of warrants,
- 9) establishment of salary regulations and amounts for members of the supervisory board,
- 10) merger or dissolution of the Company and selection of liquidators,
- 11) sale, lease or encumbrance of the Company's business,
- 12) examination of claims against members of the Company's authorities or the Company's founders concerning damages resulting from illegal actions.

General meeting resolutions are placed on the agenda, prepared by a notary.

14.11. COMPOSITION OF THE ISSUER'S MANAGEMENT BOARD, SUPERVISORY BOARD, ADMINISTRATIVE AUTHORITIES AND THEIR COMMITTEES, ALONG WITH CHANGES OVER THE PAST FINANCIAL YEAR

Management Board

Composition of the Company's management board as at 1 January 2013:

<i>Radostaw Koelner</i>	- <i>President</i>
<i>Piotr Kopydlowski</i>	- <i>Member, responsible for finance</i>

Composition of the Company's management board as at 31 December 2013:

<i>Radostaw Koelner</i>	- <i>President</i>
<i>Piotr Kopydlowski</i>	- <i>Member, responsible for finance</i>

The Company's management board operates pursuant to the provisions of the Polish Commercial Companies Code and the Company's articles of association. The organisation and modus operandi of the management board are specified in the management board regulations approved by the supervisory board, which are available online at www.rawlplug.com.

The Company may be represented by each management board member individually. The Company may also be represented by attorneys appointed by the management board pursuant to, and within the scope of, the relevant power of attorney. The management board term is three years and commences on the election date.

Management board meetings are held as and when needed, however at least once every quarter. Minutes are kept at management board meetings.

The management board manages the Company's business, its movables and immovables and its rights, as well as adopts resolutions and makes decisions in all matters which are not reserved for the general meeting or supervisory board.

Management board resolutions may be adopted if all persons entitled to participate in management board meetings had been properly invited, and at least two management board members are present.

Management board resolutions are adopted by an absolute majority of votes cast, unless the articles of association state otherwise.

The following activities require management board resolutions:

- 1) incurrence of debt other than regular trade credit;
- 2) issue of shares, bonds, warrants or promissory notes;
- 3) provision of collateral for any debt of another entity, including subsidiaries;
- 4) establishment of a mortgage or any other encumbrance of the Company's assets;
- 5) execution of an agreement resulting in the Company's obligation - or a risk of such an obligation arising - to provide, within a single financial year, items, services or cash in an amount exceeding PLN 2 000 000.00, unless the execution of such an agreement is included in the Company's annual financial plan (budget) adopted by the management board and approved by the supervisory board;
- 6) calling a general meeting or supervisory board meeting;
- 7) submission of a court request to declare as invalid or to waive general meeting resolutions;
- 8) submission of a court request to declare the Company's bankruptcy.

Supervisory Board

Composition of the Company's supervisory board as at 1 January 2013:

- *Krystyna Koelner* - *Chairperson*
- *Tomasz Mogilski* - *Deputy Chairperson*
- *Przemysław Koelner* - *Member*
- *Zbigniew Szczypiński* - *Member*
- *Zbigniew Pamuła* - *Member*
- *Wojciech Heydel* - *Member*
- *Zbigniew Stabiszewski* - *Member*

On 21 June 2013, RAWLPLUG S.A.'s general meeting appointed Janusz Pajka as a member of the supervisory board.

Composition of the Company's supervisory board as at 31 December 2013:

- *Krystyna Koelner* - *Chairperson*
- *Tomasz Mogilski* - *Deputy Chairperson*
- *Przemysław Koelner* - *Member*
- *Zbigniew Szczypiński* - *Member*
- *Zbigniew Pamuła* - *Member*
- *Zbigniew Stabiszewski* - *Member*
- *Wojciech Heydel* - *Member*
- *Janusz Pajka* - *Member*

The Company's supervisory board operates pursuant to the provisions of the Polish Commercial Companies Code and the Company's articles of association. The organisation and modus operandi of the supervisory board, as well as the means of adopting resolutions, are detailed in the supervisory board regulations, approved by the supervisory board. The regulations are available online at www.rawlplug.com.

The number of supervisory board members is specified by the general meeting prior to their election. The supervisory board is elected for a three-year term.

Supervisory board members may not be employees of the Company nor members of the authorities or employees of the Company's subsidiaries. They may not engage in activities competing with the Company's interests.

At least three supervisory board members should fulfil the independence criteria specified in the Company's articles of association.

An independent supervisory board member should fulfil the following criteria:

- 1) must not be a related party or a spouse, partner, shareholder, employee, advisor or member of the corporate authorities of the Company or a related party;
- 2) must not be a relative up to the second degree of affinity or consanguinity in relation to an employee of the Company or a related party;
- 3) must not be directly or indirectly engaged in any business dealings with the Company or its related parties;
- 4) must not be an employee, advisor, member of the corporate authorities, owner, partner or shareholder of a company or cooperative or any other enterprise engaged in competing activities, or a person close to such other person.

The general meeting appoints the supervisory board chairperson from amongst supervisory board members, who are appointed by the general meeting. The Supervisory Board appoints its Deputy Chairperson through a secret ballot.

Supervisory board resolutions may be adopted if all members have been properly invited to the meeting.

Supervisory board resolutions are adopted by an absolute majority of votes cast, unless the articles of association state otherwise. In the case of an even number of votes, the supervisory board chairperson holds the deciding vote. Minutes are kept at supervisory board meetings.

Supervisory board members may perform their functions only in person.

The supervisory board may delegate its members to perform certain supervisory functions on an individual basis.

Management board members may participate in supervisory board meetings with an advisory vote.

Supervisory board members receive remuneration for the functions they perform in the amounts specified by the general meeting.

Supervisory board meetings are called at least once every quarter by the supervisory board chairperson or - in his/her absence - by the supervisory board deputy chairperson, on his/her own initiative, at the request of the management board or at the request of a supervisory board member.

An invitation to a supervisory board meeting is deemed effective if it is sent at least 10 days before the meeting date. Supervisory board meetings may be conducted using long-distance communications, provided that all participants of such a meeting will be able to hear the other participants as well as to speak, and that all participants will be provided the same documents concerning items on the agenda.

The adoption of a resolution in writing by circulation is permissible.

The Supervisory Board provides continuous oversight of the Company's operations along with the exercise of the entitlements and obligations specified by law, and in particular the following:

- 1) establishing the remuneration of management board members and the principles for their employment;

- 2) consenting to the management board members' engagement in competing activities, either personally or as participants in partnerships, members of the corporate authorities of companies or cooperatives, as well as shareholders of companies or cooperatives, if their share of the capital of such companies or cooperatives exceeds 5% or if they are entitled, pursuant to the articles of association or founding agreement, to appoint at least one member of the management board or supervisor board;
- 3) consenting to the participation in other civil or commercial law companies or other economic organisations;
- 4) approving the Company's annual financial plans (budgets) provided by the management board;
- 5) pre-approving expenditures in excess of PLN 2 000 000.00, whether concerning a single transaction or a series of related transactions, such as are not included in the adopted budget and which are beyond the regular competences of the Company's management board;
- 6) pre-approving the sale of the Company's assets the value of which exceeds 10% of the net book value of the fixed assets, whether in a single transaction or in a series of related transactions, unless such a transaction is included in the Company's budget;
- 7) consenting to an increase in the Company's liabilities due to non-current borrowings other than trade credit incurred within the regular competences of the Company's management board, in excess of PLN 2 000 000.00, above the amount specified in the budget;
- 8) consenting to an increase in the level of guarantees and sureties issued by the Company above PLN 1 000 000.00;
- 9) consenting to the incurrence of other off-balance sheet liabilities in a single transaction or in a series of transactions in an amount exceeding PLN 2 000 000.00, above the amount approved in the budget;
- 10) consenting to the sale, acquisition or encumbrance of property or shares in property;
- 11) subject to the provisions below, consenting to the execution or amendment by the Company of agreements with related parties;
- 12) approving the management board regulations;
- 13) appointing a statutory auditor to carry out the audit or review of financial statements;
- 14) delegating supervisory board members to the management board in the event that management board members are suspended.

The supervisory board represents the Company in agreements and disputes with management board members.

In the case of agreements executed in the course of the Company's regular statutory activities and under normal contractual terms, contractual regulations and price schedules, the supervisory board may, at the request of the management board, consent to the execution of such agreements, specifying the period of time for which such consent is granted.

The detailed means of calling and operation of the supervisory board are presented in the supervisory board regulations adopted by the general meeting at the request of the supervisory board chairperson.

In accordance with the supervisory board regulations, the supervisory board may establish committees from among its members, and in particular an audit committee.

Through a resolution of 28 November 2005, the supervisory board established an audit committee and its regulations. The scope of supervisory activities performed by audit committee members is as follows:

- 1) verifying the compliance of accounts and accounting equipment with the actual state of affairs and the Company's binding accounting principles at all times;
- 2) maintaining contact with the Company's finance director and clarifying the content of financial statements as well as quarterly, semi-annual and annual reports;
- 3) monitoring the work of the Company's statutory auditors and providing the supervisory board with recommendations on the appointment and remuneration of the Company's statutory auditors;
- 4) review of the Company's interim and annual financial statements;
- 5) discussing with the management board all problems or reservations such as may result during audit of financial statements;
- 6) analysing letters to the management board prepared by the Company's statutory auditors, together with the independence and objectivity of their audit, and the management board's responses;
- 7) preparing opinions for the supervisory board as regards the Company's dividend policy, profit allocation and issue of securities
- 8) reviewing the Company's management accounting system;
- 9) reviewing the Company's internal control system (including mechanisms for controlling: finances, operations, compliance, risk assessment and management accounting) and annual reporting system;
- 10) providing the supervisory board with an opinion on draft agreements with statutory auditors;
- 11) preparing and submitting to the supervisory board recommendations concerning Company valuations, share exchange ratios and other matters contained in merger plans presented by the management board in connection with the Company's planned mergers.

The audit committee consists of: Zbigniew Szczypiński, Zbigniew Stabiszewski and Wojciech Heydel.

Radosław Koelner - President of the Management Board

Piotr Kopydłowski - Member of the Management Board responsible for finance