RAWLPLUG S.A.

INTRODUCTION TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2013

Wrocław, 18 March 2014

1. INFORMATION ABOUT THE ISSUER

Name:	RAWLPLUG S.A.
Registered office:	ul. Kwidzyńska 6 C, 51-416 Wrocław, Poland
Register entity:	District Court for Wroclaw-Fabryczna in Wroclaw, 6th Commercial Division of the National Court Register
KRS:	33537

Main economic activities:

- ✓ manufacture of builders' ware of plastic (PKD 22.23.Z)
- ✓ wholesale of building materials (PKD 46.73.Z)

Sector, according to the WSE's classification:

- ✓ metals.

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.

2. DURATION OF THE ISSUER

RAWLPLUG S.A. has been established for an indefinite period of time.

3. REPORTING PERIODS PRESENTED IN THE FINANCIAL STATEMENTS

The financial statements cover the period from 1 January 2013 to 31 December 2013 and comparative data for the period from 1 January 2012 to 31 December 2012.

4. COMPOSITION OF THE ISSUER'S MANAGEMENT BOARD AND SUPERVISORY BOARD

MANAGEMENT BOARD as at 31 December 2013:

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

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.*

5. COMBINED DATA IN THE FINANCIAL STATEMENTS

RAWLPLUG S.A. does not have any internal organisational units that prepare their own financial statements.

6. CONSOLIDATED FINANCIAL STATEMENTS

RAWLPLUG S.A. prepares consolidated financial statements.

As at 31 December 2013, RAWLPLUG S.A. was the parent entity to the following companies:

RAWLPLUG S.A.	Koelner Tworzywa Sztuczne Sp. z o.o. - 100%			
	Koelner Polska Sp. z o. o.-100%			
	FPiN Wapienica Sp. z o.o. - 100%			Koelner Rawlplug IP Sp. z o.o. - 100%
				Koelner Rawlplug IP Sp. z o.o. - 100%
	Farmlord Trading Ltd - 100%	Meadowfolk Holdings Ltd - 100%	Koelner Łańcucka Fabryka Śrub Sp. z o.o. - 100%	Koelner Rawlplug IP Sp. z o.o. - 100%
	Koelner Centrum Sp. z o.o. - 51%			
	Koelner Hungária Kft - 51%			
	Koelner CZ s.r.o. - 100%			
	Koelner Bulgaria EOOD - 100%			
	Koelner Romania SRL - 100%			
	Koelner Vilnius UAB - 100%			
	Koelner Kiev Ltd- 99%			
	Koelner Ltd - 100%			
	Koelner Deutschland GmbH - 100%	Stahl GmbH - 100%		
	Rawl Scandinavia AB - 100%			
	Koelner - Rawlplug Middle East FZE - 100%	Koelner-Rawlplug Building and Construction Material Trading LLC* - 49%		
	Rawlplug Ltd - 100%	Koelner Finance Ltd* - 50%		
	Rawl France SAS - 100%			
	Rawlplug Ireland Ltd - 100%	Herco Fixings Ltd* - 61%		
	Koelner Inwestycje Budowlane Sp. z o.o.* - 98%			
	Koelner Finance Ltd* - 50%			
	Koelner Kazakhstan Ltd* - 70%			
		PrJSC Koelner Ukraine* - 76%		
	LeoTex Ltd * - 51%	PrJSC Koelner Ukraine* - 76%		
	Koelner d.o.o.* - 100%			
	Koelner Trading KLD LLC* - 100%			
	Koelner Slovakia s.r.o.* - 100%			

** company not subject to consolidation as at 31 December 2013 (in accordance with IAS 1 point 31)*

7. BUSINESS COMBINATIONS

There were no business combinations with other entities in 2013.

8. GOING CONCERN

The financial statements were prepared on the assumption that RAWLPLUG S.A. will continue as a going concern for the foreseeable future. No circumstances exist that would indicate a threat to RAWLPLUG S.A. operating as a going concern.

9. COMPARABILITY OF FINANCIAL STATEMENTS

The financial data as at 31 December 2013 was presented in a manner ensuring its comparability.

There were no provisions created for unused vacation time during 2013. The following corrections in the 2012 financial statements were made in order to ensure the comparability of data:

As at 31 December 2012:

Cr	Deferred revenues and accruals	PLN 747 thousand
Dr	Deferred income tax assets	PLN 142 thousand
Dr	Net profit (loss)	PLN 605 thousand

10.CORRECTIONS RESULTING FROM RESERVATIONS EXPRESSED BY ENTITIES AUTHORISED TO AUDIT FINANCIAL STATEMENTS

These financial statements and comparative data do not contain corrections resulting from reservations expressed by entities authorised to audit financial statements due to the fact that there were no reservations raised in their opinions in the previous years.

11.DESCRIPTION OF ADOPTED ACCOUNTING PRINCIPLES (POLICY), INCLUDING THE MEASUREMENT APPROACH FOR ASSETS, EQUITY AND LIABILITIES, REVENUE AND COSTS, PROFIT AND LOSS CALCULATIONS AND MEANS OF PREPARING FINANCIAL STATEMENTS AND COMPARATIVE DATA

The financial statements and comparative data were prepared in accordance with the Company's adopted accounting principles, which are based on regulations resulting from the Accounting Act of 29 September 1994 (Polish Journal of Laws no. 121, item 591, as amended).

Main accounting principles and approaches:

Accrual principle

The entity's accounts and financial results cover all revenue and related costs recorded in a given financial year, regardless of payment date.

Matching principle

Assets and liabilities during the period include costs and revenue that will be paid in future periods, as well as the period's costs that have not yet been incurred.

Prudence principle

The financial result includes: decreases in usable value of assets, including depreciation, certain other operating revenue and extraordinary profit, all other operating expenses and extraordinary losses incurred and provisions for the entity's known risks.

Historic cost principle

The financial statements and comparative data were prepared using the historic cost approach, meaning that they do not include corrections that would reflect the impact of inflation on specific items in the balance sheet and statement of profit and loss. Measurement of assets and liabilities as per the balances presented in the financial statements is based on statutory calculations, specified in chapter 4 of the Accounting Act.

All asset and liability values are expressed in PLN 000s. Those asset and liability items that are expressed in foreign currencies are translated into PLN at the end of the reporting period, in accordance with art. 30 point 1 of the Accounting Act.

Intangible assets are carried at purchase price or - in the case of development works - cost to manufacture, less accumulated amortisation and impairment.

The following are considered intangible assets:

- ✓ costs of successfully completed development works work that will be used in production processes,
- ✓ acquired goodwill,
- ✓ acquired property and related rights, licences and concessions,
- ✓ acquired rights to inventions, patents, trademarks and trade patterns,
- ✓ know-how.

Intangible assets are amortised using the straight-line approach throughout the period of their economic life, as follows:

- ✓ acquired property rights, licences and concessions - no less than four years and no more than seven years,
- ✓ computer software - no less than four years and no more than seven years,
- ✓ other intangible assets - no less than four years and no more than seven years,

Intangible assets individually valued at no more than PLN 3 500 are depreciated on a one-off basis as cost in the month following the month in which they are commissioned into use.

Property, plant and equipment items are measured at purchase price or cost of manufacture, after revaluation, less accumulated depreciation and impairment.

In justified cases, the purchase price or cost of manufacture of production-in-progress includes exchange differences on measurement of receivables and payables arising as at the end of the reporting period, along with interests on payables financing the production or purchase of such assets.

Low-value items (up to PLN 1 500) with predictable periods of economic life of no more than one year are not recorded as assets and instead are treated as materials, fully recorded as costs at the moment of purchase.

Intangible assets initially valued at no more than PLN 3 500 and with usable periods of no more than one year are depreciated on a one-off basis as costs in the month following the month in which they are commissioned into use.

Property, plant and equipment items used pursuant to lease agreements that fulfil one of the conditions specified in art. 3 sec. 4 of the Accounting Act are classified as the Company's non-current assets.

Property, plant and equipment items are depreciated on a straight-line basis from the month following the month in which they are commissioned into use, over a period corresponding to the expected period of useful economic life.

Property, plant and equipment items are depreciated in accordance with the following principles:

- ✓ buildings and facilities - no less than 10 years and no more than 40 years,
- ✓ technical equipment and machinery (excluding computer software) - no less than five years and no more than 20 years,
- ✓ computer software - no less than two years and no more than four years,
- ✓ means of transport - no less than three years and no more than five years,
- ✓ other property, plant and equipment - no less than two years and no more than 10 years.

Production in progress is measured at the overall costs directly connected with the acquisition or manufacture, less impairment. In justified cases, the acquisition price or cost of manufacture of production-in-progress includes exchange differences on measurement of receivables and payables arising as at the end of the reporting period, along with interests on payables financing the production or purchase of such assets.

Advances on production-in-progress are measured at nominal value.

Non-current investments

Properties, intangible assets and other investments other than financial assets classified as non-current assets and not used by the entity but purchased in order to obtain economic benefits resulting from growth in the value of these assets or income or other benefits - are measured at purchase price, less impairment.

Non-current financial assets

Shares are measured at acquisition or purchase price if the costs to settle the transaction are insignificant, less impairment recorded in finance costs. Loans and borrowings issued by the Company that are not intended for sale are measured at adjusted purchase price, estimated using the effective interest rate and in accordance with the prudence principle. In the balance sheet, loans and borrowings in the amount due in over one year from the end of the reporting period are recorded in non-current financial assets, while loans and borrowings due within one year are recorded in current financial assets.

Purchase prices of shares expressed in foreign currencies are recorded in the accounts as at the transaction date, at the average exchange rate for that currency published by the National Bank of Poland for the preceding day.

Non-current prepayments

Non-current prepayments concern incurred costs relating to future reporting periods or deferred income tax assets. As at the end of the reporting period, prepayments are measured in accordance with the prudence principle.

Current assets

Inventory is recorded at purchase price or cost of manufacture, provided that these are not higher than the net sales price. The cost to manufacture includes direct material costs and in certain cases direct remuneration costs, along with a justified portion of indirect costs. Product, material and goods inventories are measured using the FIFO method. The net sales price is equal to an estimated sales price, less all costs connected with completing production or delivering the inventory to be sold or with finding a buyer (i.e. selling costs, marketing, etc.).

Impairment of current assets recognised in connection with a loss of value or measurement bringing their values closer to their net realisable amounts decreases the balance sheet entries and is recorded as other operating expenses.

Current receivables are measured in the amounts due, with application of the prudence principle (less impairment).

Receivables expressed in foreign currencies are measured at the end of the reporting period using average exchange rates published by the National Bank of Poland.

Exchange differences on receivables expressed in foreign currencies arising on the measurement date are recorded as follows: negative exchange differences as finance costs and positive as finance income.

Receivables are revalued taking into consideration the likelihood of their payment by recognising an impairment loss in accordance with art. 35 b sec. 1 of the Accounting Act. The Company does not charge interest on overdue receivables.

Current investments are measured at the end of the reporting period at purchase price or market value, whichever is lower. Loans and borrowings issued by the Company are measured in amounts due, with application of the prudence principle.

Cash and cash equivalents are measured at nominal value. Receivables expressed in foreign currencies are measured at the end of the reporting period using average exchange rates published by the National Bank of Poland.

Prepayments are recognised if costs incurred relate to future reporting periods. As at the end of the reporting period, prepayments are measured in accordance with the prudence principle.

From the viewpoint of the settlement period, prepayments are qualified as current or non-current assets.

To write down prepayments, the Company uses individually estimated periods, depending on the type and value of the item being settled.

Equity is recorded in the accounts at nominal value, by type and in accordance with the principles specified by law or the Company's articles of association.

The Company's share capital is presented in the amount specified in the Company's articles of association and that which is entered at the National Court Register. Capital contributions declared, but not yet paid, are recognised as contributions to share capital due to be paid.

Supplementary capital is created through profit allocation, by transfer from the revaluation reserve and from share premium, less costs to issue equity. The other part of the issue costs is recorded in finance costs.

Profit or loss from prior years constitutes unsettled results from previous years, the allocation of which is yet to be made by the general meeting, together with the effect of corrections and changes to accounting principles and fundamental errors concerning previous years but disclosed in the present financial year.

Provisions are created for future obligations that are certain or highly likely and are measured at the end of the reporting period at a reliably estimated value.

Provisions are classified as other operating expenses, finance costs or extraordinary losses, depending on the circumstances of the future liabilities.

In the event that the risk justifying recognition of a provision ceases or decreases, at that date the provision increases other operating revenues, finance income or extraordinary profit.

Liabilities are measured at the end of the reporting period in the amount due, expect for liabilities that are to be settled, as per contractual arrangements, with financial assets other than cash or through an exchange for financial instruments, which are measured at fair value. Given the low likelihood of interest on overdue payables for supplies, works and services, and therefore an insignificant impact on the Company's results, the management sees no need to accrue interest as at the end of the reporting period.

If the due date exceeds one year from the end of the reporting period, the balances of these liabilities, except for trade payables, are recorded as non-current liabilities. The remaining part of the balances is recorded as current liabilities.

Foreign-currency liabilities are measured at the end of the reporting period using average exchange rates published by the National Bank of Poland. Exchange differences on foreign-currency liabilities arising on the measurement date and on settlement are recorded as follows: negative exchange differences as finance costs and positive as finance income. The above does not pertain to production-in-progress.

Accruals are recognised in the amount that is likely to be due in the present reporting period. In determining accruals, the matching principle is applied.

Deferred revenues are recorded with application of the prudence principle and covers in particular negative goodwill, the equivalent of funds received or due to be received from counterparties for considerations to be performed in subsequent reporting periods, as well as cash and cash equivalents received to finance the purchase or manufacture of property, plant and equipment, including production-in-progress and development works works, if those do not increase equity in accordance with other legal regulations. Amounts recorded as deferred revenues successively increase other operating revenue in parallel with deprecation or impairment or the cost of development works works financed from these sources.

Measurement of foreign-currency transactions

Foreign-currency transactions are recognised in the accounts at the transaction date using the average exchange rate for the particular currency published by the National Bank of Poland, unless - in the case of other operations - the customs form or other binding document indicates a different exchange rate.

Exchange differences concerning other assets and liabilities expressed in foreign currencies arising on the measurement date and on settlement of foreign-currency receivables and payables are recorded as finance income and finance costs.

Revenues and costs; profit and loss calculations

The Company prepares the statement of profit and loss using the multiple-step approach.

Revenue from sales is calculated based on invoiced sales for the reporting period, less VAT.

The cost of products and goods sold covers the cost of goods and products, selling costs and administrative expenses concerning the core business.

Selling costs mainly comprise:

- ✓ delivery of product to customers,
- ✓ use of materials and energy (fuel),
- ✓ collective packaging,

- ✓ external handling of sales transactions, such as participation in exhibitions and trade fairs, as well as advertising,
- ✓ mass-media advertising,
- ✓ sales rep commissions,
- ✓ product insurance for transport,
- ✓ cost of using property, plant and equipment by the Company's sales force,
- ✓ cost of using trademarks.

Administrative expenses comprise costs connected with general management of the entity and other overall handling of its operations.

Other operating revenues and other operating expenses constitute revenues and expenses not directly related to the Company's core business, but having an impact on its operating results. These are mainly connected with the following:

- ✓ disposal of property, plant and equipment, production in progress, intangible assets, as well as properties and intangible assets classified as investments; maintenance of properties and intangible assets classified as investments, including revaluation of such investments, as well as re-classification of those to property, plant and equipment and intangible assets if market prices or fair value determined otherwise was used to measure such investments,
- ✓ impairment of overdue, written-off or unrecoverable receivables and payables, except for statutory receivables and payables not recorded as costs,
- ✓ recognition and reversal of provisions, expect for provisions connected with financing activities,
- ✓ impairment of assets, and the relevant corrections, except for impairment losses recorded as finance costs,
- ✓ compensation and penalties,
- ✓ transfer or receipt, free of charge, including asset donations, of cash and cash equivalents for purposes other than payment of sale prices, purchase or manufacture of property, plant and equipment, production in progress or intangible assets,
- ✓ CSR activities.

Finance income covers in particular income from dividends (share of profits), interest, gain on disposal and revaluation of investments other than those specified in art. 28 sec. 1 points 1a of the Accounting Act, excess of positive exchange differences over negative differences and income from guarantees and sureties issued.

Finance costs cover in particular interest costs, losses on disposal and revaluation of investments other than those specified in art. 28 sec. 1 point 1a of the Accounting Act, costs of guarantees and sureties received, excess of negative exchange differences over positive differences, except of the interest, commission and positive and negative exchange differences mentioned in art. 28 sec. sec. 4 and sec. 8 point 2 of the Accounting Act.

Extraordinary profit and loss represent the financial effects of one-off events outside of the Company's core business.

Net profit includes takes into consideration current and deferred income tax, if necessary.

Mandatory profit reductions

Gross profit or loss is adjusted by:

- ✓ current corporate income tax payables,
- ✓ deferred income tax.

In the statement of profit and loss, the deferred part constitutes the difference between the level of deferred income tax provisions and assets at the end and beginning of the reporting period.

Deferred income tax assets are established in the amount expected to be deducted from income tax in the future, resulting from negative temporary differences between the value of assets and liabilities recognised in the accounts and their tax value and the loss to be settled in the future.

A deferred income tax provision is recognised in the amount of the income tax to be paid in the future as a result of positive temporary differences between the book value of the assets and liabilities and their tax value.

In determining deferred income tax assets and provisions, the tax rates in effect during the year in which the tax obligation arises are taken into account.

Deferred income tax provisions and assets concerning equity-settled operations are also recorded in equity.

12.AVERAGE EURPLN RATES

During the periods covered by the financial statements, the average EURPLN rates published by the National Bank of Poland were as follows:

Period / exchange rate	Average exchange rate*	Minimum rate	Maximum rate	Rate as at the end of period
2012	4.1736	4.0465	4.5135	4.0882
2013	4.2110	4.0671	4.3432	4.1472

** the average exchange rate is calculated as the arithmetic mean of the exchange rates published for the last day of each month during the given period.*

13.KEY ITEMS IN THE BALANCE SHEET, STATEMENT OF PROFIT AND LOSS AND STATEMENT OF CASH FLOWS, TRANSLATED INTO EUR

Individual assets and liabilities are translated at the exchange rate prevailing at the end of the reporting period:

- ✓ EURPLN exchange rate as at 31 December 2013: 4.1472,
- ✓ EURPLN exchange rate as at 31 December 2012: 4.0882,

Items in the statement of profit and loss statement of cash flows were translated according to exchange rates constituting the arithmetical average of exchange rates published by the National Bank of Poland for EUR, in force as at the last day of each month within a given reporting period:

- ✓ the average exchange rate for 2013 was calculated as the arithmetic mean of the exchange rates published for the last day of each month during the given period, and was 4.2110,
- ✓ the average exchange rate for 2012 was calculated as the arithmetic mean of the exchange rates published for the last day of each month during the given period, and was 4.1736,

in EUR 000s

FINANCIAL HIGHLIGHTS	2013	2012
Net revenue from sale of products, goods and materials	67 739	75 266
Operating profit (loss)	808	(1 343)
Gross profit (loss)	2 573	(226)
Net profit (loss)	2 934	517
Net cash flows from operating activities	(3 394)	5 311
Net cash flows from investing activities	1 988	(1 090)
Net cash flows from financing activities	928	(4 037)
Total net cash flows	(477)	184
Total assets	143 913	145 297
Liabilities and liability provisions	76 094	79 521
Non-current liabilities	13 545	6 776
Current liabilities	61 564	69 252
Equity	67 819	65 776
Share capital	7 851	7 964
Weighted average number of shares	32 560 000	32 560 000
Profit (loss) per ordinary share (in PLN/EUR)	0.09	0.02
Number of shares as at 31 December 2013	32 560 000	32 560 000
Book value per share (in PLN/EUR)	2.08	2.02

14.INDICATION AND EXPLANATION OF DIFFERENCES IN DISCLOSED DATA AND SIGNIFICANT DIFFERENCES PERTAINING TO THE ADOPTED ACCOUNTING PRINCIPLES (POLICY) BETWEEN THE POLISH ACCOUNTING STANDARDS AND INTERNATIONAL ACCOUNTING STANDARDS

The accounting principles and approaches used, resulting from the Accounting Act and accounting best practices, are mostly in accordance with IAS. The following table presents the quantitative effect of using IAS-compliant accounting principles on the financial statements.

in PLN 000s

Change	Items	Effect
Presentation of management options	Supplementary capital	8 758
	Profit or loss brought forward	(8 758)
Presentation of special-purpose reserves (workplace benefit plan)	Trade and other payables, including: - other liabilities - special-purpose reserves	 1 534 (1 534)

Radosław Koelner - President of the Management Board

Piotr Kopydłowski - Member of the Management Board responsible for finance

Person responsible for book-keeping

Anna Piotrowska Kus – Chief Accountant