

Independent statutory auditor's report on audit of annual consolidated financial statements

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For the Shareholders of RAWLPLUG S.A.

Report on audit of consolidated financial statements

We reviewed the enclosed consolidated financial statements of the Group whose parent company is Rawlplug S.A. (the "Parent"), based in Wrocław, ul. Kwidzyńska 6, consisting of the consolidated statement of financial position as at 31 December 2017, consolidated statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2017 to 31 December 2017, together with information on the adopted accounting principles and other explanatory information.

Responsibility of the Parent's Management Board and Supervisory Board for consolidated financial statements

The Parent's Management Board is responsible for preparing and accurately presenting consolidated financial statements in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations, as well as other binding provisions of law and the Parent's Articles of Association. The Parent's Management Board is also responsible for internal control such as it deems necessary for preparing consolidated financial statements that are free of significant distortions caused by fraud or error.

Pursuant to the Accounting Act of 29 September 1994 (consolidated text: Polish Journal of Laws of 2018, item 395, as amended) ("Accounting Act"), the Management Board and Members of the Supervisory Board of the Parent are required to ensure that the annual consolidated financial statements comply with the requirements listed in the Accounting Act.

Responsibility of the statutory auditor

We are responsible for expressing an opinion on these annual consolidated financial statements based on our audit.



The audit of the consolidated financial statements was carried out in accordance with the provisions of:

- Act on statutory auditors, audit firms and public oversight of 11 May 2017 (Polish Journal of Laws of 2017, item 1089) ("Act on Statutory Auditors"),
- National Financial Review Standards in the meaning of International Audit Standards, adopted through resolution 2783/52/2015 of the Polish Chamber of Statutory Auditors of 10 February 2015, as amended, and
- Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (EU Journal L 158 of 27 May 2014, page 77, and EU Journal L 170 of 11 June 2014, page 66) ("Regulation 537/2014"),

These regulations require the observance of ethical requirements as well as the planning and conducting of the audit in such manner as to obtain sufficient certainty that the consolidated financial statements are free of any significant distortions.

The objective of the audit is to obtain sufficient certainty that the annual consolidated financial statements, as a whole, are free of significant distortions caused by fraud or error and to issue an independent statutory auditor report containing our opinion. Sufficient certainty is a high level of certainty but does not guarantee that an audit carried out in accordance with the above-mentioned standards will always detect existing significant distortions. Distortions may arise as a result of fraud or error and are considered as significant if they can be rationally expected, independently or collectively, to have an impact on the users' economic decisions made based on these annual consolidated financial statements. The risk of failing to detect a significant distortion caused by fraud is higher than the risk of failing to detect a significant distortion caused by error because it may involve collusion, forgery, intentional omissions, misleading or the circumvention of internal control and may related to any area of law and regulations rather than those having a direct impact on the annual consolidated financial statements.

The audit consisted of procedures aimed at obtaining proof for the amounts and disclosures contained in the annual consolidated financial statements. The selection of audit procedures is up to the statutory auditor and depends on an assessment of the risk of significant distortions in the annual consolidated financial statements resulting from fraud or error.

In assessing this risk, the statutory auditor considers the performance of internal control as regards preparing and reliably presenting by the Parent of its annual consolidated financial statements in order to design appropriate audit procedures and not to express an opinion on the performance of the entity's internal control. The audit also covers an assessment of the appropriateness of the adopted accounting principles (policy), rationality of estimated values set by the Parent's Management Board and evaluation of the overall presentation of the annual consolidated financial statements.

The audit scope does not cover representations with regard to the Group's future profitability or performance or the effectiveness of the Parent's Management Board currently or in the future.

We believe that the evidence obtained by us constitutes sufficient and appropriate basis for us to express an opinion. The opinion is consistent with our additional report for the Audit Committee, published on the date of this audit report.

Independence

In the course of the audit, the lead statutory auditor and the audit firm remained independent of the Group's entities in accordance with the Act on Statutory Auditors, Regulation 537/2014 and professional ethics rules adopted through resolutions of the National Council of Statutory Auditors.



To the best of our knowledge and belief, we declare that we did not provide the Group's entities with the non-audit services prohibited under art. 136 of the Act on Statutory Auditors and art. 5 sec. 1 of Regulation 537/2014.

Selection of audit firm

We were selected to audit the Group's annual consolidated financial statements through a resolution of the Parent's Supervisory Board of 8 May 2017. We have been continuously auditing the Group's consolidated financial statements since the financial year ended 31 December 2016, i.e. for two consecutive financial years. We were separately appointed for audit in each of these years.

Key types of risk

In the course of the audit, we identified the most significant types of risks related to significant distortions, as described below, including those caused by fraud, and we developed an appropriate response to these types of risk. Where we deemed it necessary in order to understand the identified risk and the audit procedures performed by the statutory auditor, we included the most important observations relating to these types of risk.

Description of the type of risk of significant distortion	Statutory auditor's response to the identified risk and, in appropriate cases, key comments related to such risk
<p>Revenue from sales</p> <p>The Parent conducts most sales in foreign markets. As regards these sales, there can be specific delivery terms and thus the moment when risk is transferred to the counterparty might vary. This gives rise to the risk of incorrectly recognising revenue in the relevant reporting period.</p> <p>Disclosures related to revenue from sales are presented in notes 1, 27.</p>	<p>In the course of the audit, we documented our understanding of the revenue recognition process.</p> <p>Audit procedures carried out in this area included:</p> <ul style="list-style-type: none"> • review of accounting policy in the part dealing with revenue recognition and the related estimates, • detailed assessment of credibility, taking into account analysis of transactions at the turn of the reporting periods, • reconciliation of accounts, • analytical procedures consisting especially of analysing monthly data and trends by source of revenue.
<p>Measurement of inventories</p> <p>The value of inventories in the consolidated financial statements is substantial.</p> <p>Risk in this area includes: loss of value of inventories caused by the period of retention and measurement of inventories over their possible net sales prices.</p> <p>Disclosures related to revenue from sales are presented in note 10.</p>	<p>In the course of the audit, we carried out the following procedures:</p> <ul style="list-style-type: none"> • analysis of accounting policy in terms of recognising impairment losses on inventories, • analysis of inventory age structure and analysis of inventory impairment losses, • analysis of sales after the balance sheet date in terms of comparing sales prices to purchase prices, • monitoring the inventory process - verifying the correctness of inventory accounting.
<p>Goodwill</p> <p>Risk in this area is related to the loss of value of goodwill.</p>	<p>As part of the audit procedures performed by us, we verified the validity of the measurement</p>



Description of the type of risk of significant distortion	Statutory auditor's response to the identified risk and, in appropriate cases, key comments related to such risk
<p>Goodwill presented in the consolidated financial statements is subject to annual testing for impairment.</p> <p>Disclosures related to goodwill and impairment testing are presented in notes 2, 52 and 53.</p>	<p>methodologies, the correctness of calculations and an assessment of the Company's assumptions, including their feasibility and the correctness of estimates in measurement, as well as an assessment of the judgements made by the Company's Management Board.</p>
<p>Deferred income tax</p> <p>Deferred income tax assets constitute a significant element of assets recognised in the consolidated financial statements. Assets recognised on tax losses constitute a significant part of these.</p> <p>Risk in this area involves an overestimation of the value of deferred income tax assets due to a failure to generate sufficient taxable income in the future.</p> <p>Disclosures regarding deferred income tax are presented in note 25.</p>	<p>In the course of the audit, we carried out the following procedures:</p> <ul style="list-style-type: none"> • verified the correctness of deferred income tax calculations, • for assets on tax losses, we verified their recovery rates by analysing budgets and assessing their likelihood.

Opinion

In our opinion, the enclosed annual consolidated financial statements:

- accurately and clearly depict the Group's asset and financial position as at 31 December 2017 and financial result for the financial year from 1 January 2017 to 31 December 2017 in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations, and the adopted accounting principles (policy),
- are in compliance with legal regulations applicable to the Group and the Parent's articles of association as to their form and content.

Report on other legal requirements and regulations

Opinion on the report on the Group's operations

Our opinion on the annual consolidated financial statements does not encompass the report on the Group's operations.

The Parent's Management Board is responsible for preparing the report on the Group's operations in accordance with the Accounting Act and other binding provisions of law. Moreover, the Parent's Management Board and Supervisory Board are required to ensure that the report on the Group's operations meets the requirements arising from the Accounting Act.

In accordance with the Act on Statutory Auditors, our obligation was to issue an opinion on whether the report on the Group's operations, except for the item "Statement on non-financial data," was prepared in accordance with the law and whether it is in compliance with the information contained in the annual consolidated financial statements. Our responsibility also included a statement on whether, according to our knowledge of the Group



and its surroundings obtained in the course of auditing the annual consolidated financial statements, we identified any significant distortions in the report on the Group's operations and what does each of such significant distortions consist of.

In our opinion, the report on the Group's operations was prepared in accordance with the relevant regulations, i.e. pursuant to the provisions of art. 49 and art. 55 sec. 2a of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information disclosed by issuers of securities and the terms for recognising information required by the provisions of law of a non-member state as equivalent (consolidated text: Polish Journal of Laws of 2014, item 133, as amended) (Ordinance on current and periodic information) and is in compliance with information contained in the enclosed annual consolidated financial statements. Moreover, in light of the knowledge of the Group and its surroundings obtained in the course of auditing the consolidated financial statements, we did not identify any distortions in the report on the Group's operations.

Opinion on the statement on application of corporate governance

The Management Board and Members of the Supervisory Board of the Parent are responsible for preparing a statement on the application of corporate governance in accordance with the law.

In connection with the audit of the annual consolidated financial statements, our obligation in accordance with the Act on Statutory Auditors was to issue an opinion on whether the issuer, obligated to submit a statement on the application of corporate governance, which constitutes a separate part of the report on the Group's operations, included in this statement information that is required by law and in reference to specific information indicated in such legal provisions or regulations, a statement on whether they are in compliance with the applicable laws and the information contained in the annual consolidated financial statements.

In our opinion, the Parent's statement on application of corporate governance contains the information specified in par. 91 sec. 5 point 4 letters a, b, g, j, k and l of the Ordinance on current and periodic information. The information indicated in par. 91 sec. 5 point 4 letters c-f, h and i of this Ordinance on current and periodic information, as presented in the statement on application of corporate governance, are in compliance with the relevant laws and the information contained in the annual consolidated financial statements.

Information on preparation of the statement on non-financial data

Pursuant to the requirements specified in the Act on Statutory Auditors, we state that the Parent prepared a statement on non-financial data, as referred to in art. 49b sec. 1 and art. 55 sec. 2b of the Accounting Act, as a separate part of the report on the Group's operations.

We did not carry out any assurance work regarding the statement on non-financial data and we give no representations on this matter.

Jan Letkiewicz

Statutory auditor no. 9530

Lead statutory auditor conducting the audit on behalf of

Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp. k.,

Poznań, ul. Abpa Antoniego Baraniaka 88 E, audit firm no. 4055

Poznań, 23 March 2018