



# MANAGEMENT REPORT ON RAWLPLUG GROUP'S OPERATIONS

FOR THE PERIOD FROM 1 JANUARY 2021  
TO 30 JUNE 2021

Wrocław, 30 AUGUST 2021

## Contents

1.	BASIS FOR THE PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND REPORTING PERIOD. RULES USED IN PREPARING THE FINANCIAL STATEMENTS	3
2.	DESCRIPTION OF GROUP OPERATIONS	3
2.1.	DESCRIPTION OF THE GROUP	3
2.1.1.	Group parent	3
2.1.2.	Composition of the Group	4
2.1.3.	Changes in Group structure	4
2.2.	CHANGES IN THE MAIN PRINCIPLES OF GROUP MANAGEMENT	5
2.3.	GROWTH DIRECTIONS	5
2.4.	PARENT'S AUTHORITIES	5
2.4.1.	Management Board	5
2.4.2.	Supervisory Board	5
2.4.3.	Shares held by the parent's management board or supervisory board members	5
2.5.	SHAREHOLDING STRUCTURE, INCLUDING SHAREHOLDERS DIRECTLY OR INDIRECTLY HOLDING AT LEAST 5% OF GENERAL MEETING VOTES	6
2.6.	TREASURY SHARES	7
3.	FACTORS SIGNIFICANT TO GROUP DEVELOPMENT IN H1 2021, INCLUDING THREATS AND RISKS, AND GROWTH PERSPECTIVES	7
3.1.	EXTERNAL FACTORS	7
3.1.1.	Macroeconomic situation and conditions in the industry	7
3.1.1.1.	Impact of COVID-19 on RAWLPLUG Group's activities	7
3.1.1.2.	Construction and fixings industry	8
3.1.1.3.	Industrials sector	8
3.1.2.	Employment conditions; prices of products and intermediates imported from the Far East	8
3.1.3.	Exchange rates	9
3.1.4.	Interest rates	9
3.2.	INTERNAL FACTORS	9
3.3.	SUSTAINABLE DEVELOPMENT STRATEGY	9
3.4.	GROWTH PERSPECTIVES	10
3.5.	GROUP STRATEGY	11
4.	SEASONALITY OF SALES	11
5.	INVESTMENTS AND R&D	11
5.1.	INVESTMENTS	11
5.2.	R&D	12
5.3.	INVESTMENT PLANS FOR 2021	12
6.	HUMAN RESOURCES	12
7.	RELATED-PARTY TRANSACTIONS EXECUTED ON TERMS OTHER THAN MARKET TERMS	13
8.	OFF-BALANCE SHEET ITEMS	13
8.1.	INFORMATION ON ISSUE BY THE ISSUER OR ONE OF ITS SUBSIDIARIES OF SURETIES FOR LOANS OR BORROWINGS, OR ISSUE OF GUARANTEES – TO A SINGLE ENTITY OR SUBSIDIARY OF SUCH ENTITY, IF THE TOTAL VALUE OF EXISTING SURETIES OR GUARANTEES IS SIGNIFICANT	13
8.2.	OTHER OFF-BALANCE SHEET ITEMS	13
9.	SIGNIFICANT PROCEEDINGS IN PROGRESS BEFORE A COURT, ARBITRATION BODY OR PUBLIC ADMINISTRATION AUTHORITY	13
10.	SIGNIFICANT INFORMATION FOR ASSESSMENT OF THE COMPANY AND GROUP	14
10.1.	DIVIDEND	14
10.2.	INFORMATION SIGNIFICANT TO ASSESSING THE GROUP'S AND COMPANY'S FINANCIAL SITUATION, INCLUDING ITS ABILITY TO PAY LIABILITIES	14
10.3.	EVENTS AFTER THE END OF THE REPORTING PERIOD	14
11.	GROUP FINANCIAL RESULTS	15
11.1.	CONSOLIDATED STATEMENT OF PROFIT AND LOSS	15
11.2.	ASSET AND LIABILITY STRUCTURE IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	16
11.3.	RAWLPLUG GROUP'S REVENUE FROM SALES	17
11.3.1.	Domestic sales	17
11.3.2.	Foreign sales	17
11.3.3.	Product structure	17
11.3.4.	Supply sources	18
11.4.	SELLING COSTS AND ADMINISTRATIVE EXPENSES	18
11.5.	FINANCING ACTIVITIES	18
11.6.	PROFITABILITY RATIOS	19
11.7.	LIQUIDITY RATIOS	20
11.8.	DEBT RATIOS	20
11.9.	PROGRESS VERSUS PREVIOUSLY PUBLISHED GUIDANCE	21
11.10.	FACTORS AND EXTRAORDINARY EVENTS HAVING AN IMPACT ON FINANCIAL RESULTS	21

## **1. BASIS FOR THE PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND REPORTING PERIOD. RULES USED IN PREPARING THE FINANCIAL STATEMENTS**

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These condensed consolidated interim financial statements of RAWLPLUG Group cover the six months ended 30 June 2021 and are prepared in accordance with the Ordinance of the Minister of Finance of 29 March 2018 (Polish Journal of Laws of 2018, item 757) on current and periodic information disclosed by issuers of securities (...) and IAS 34 Interim Financial Reporting.

The condensed consolidated interim financial statements do not include all of the information disclosed in annual financial statements, as prepared in accordance with IFRS, therefore they should be read in conjunction with the Group's consolidated financial statements for 2020.

The condensed separate semi-annual financial statements of the Parent, RAWLPLUG S.A., constitute an attachment to the condensed consolidated semi-annual financial statements and have been prepared in accordance with the Ordinance of the Minister of Finance of 29 March 2018 (Polish Journal of Laws of 2018, item 757) on current and periodic information disclosed by issuers of securities (...) and IAS 34 Interim Financial Reporting.

The presentation and functional currency for these condensed consolidated interim financial statements is PLN, and all amounts are expressed in PLN 000s (unless stated otherwise). Financial statements of the entities comprising the Group were translated into the presentation currency based on the principles specified in IAS 21.

## **2. DESCRIPTION OF GROUP OPERATIONS**

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### **2.1. DESCRIPTION OF THE GROUP**

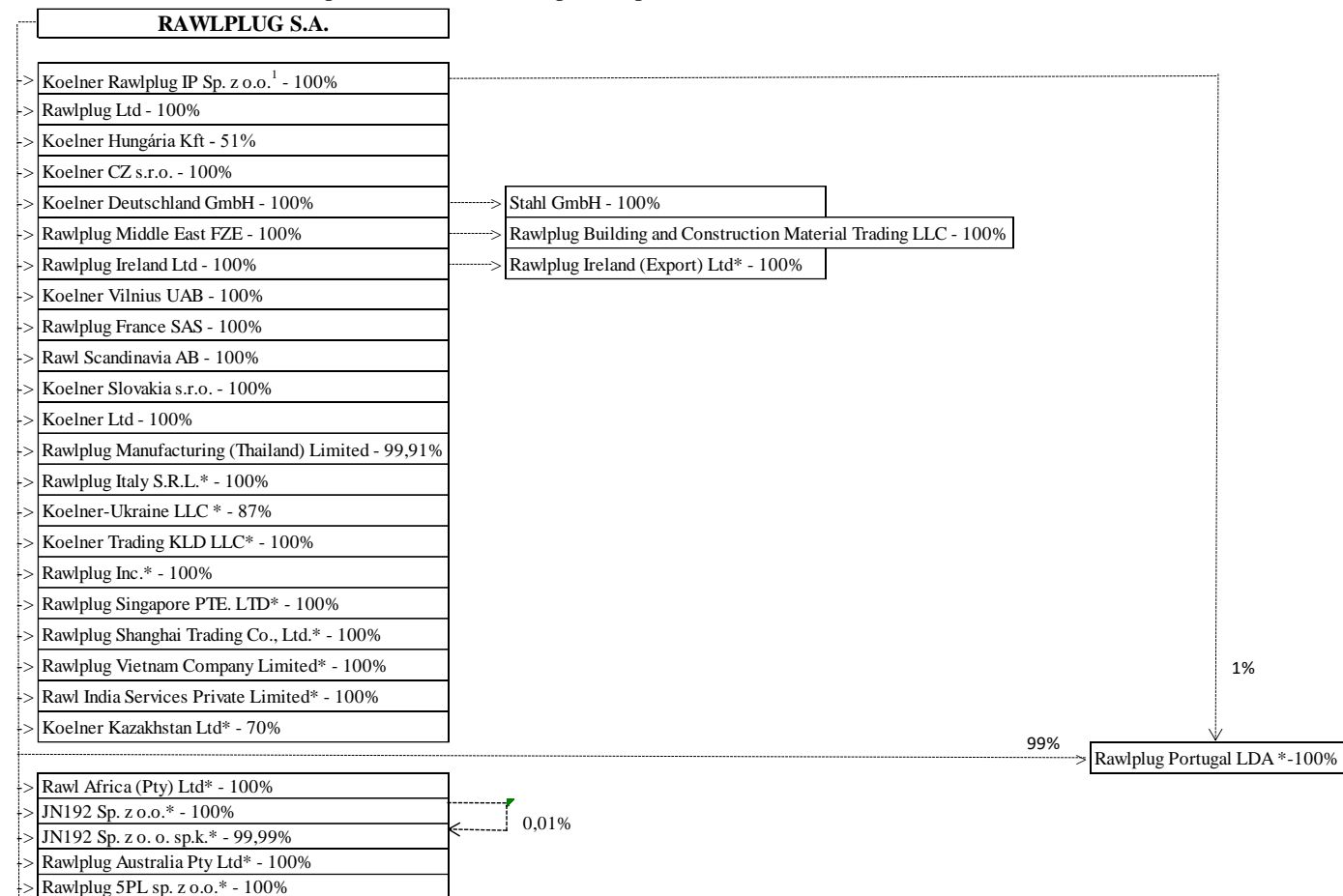
#### **2.1.1. GROUP PARENT**

RAWLPLUG S.A., formerly: KOELNER S.A. (Company or RAWLPLUG) was registered on 20 December 1999 in division B of the commercial register under no. 9101. 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: design, manufacture and sale, mostly through wholesale distribution channels, of products from the following assortment groups:

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

### 2.1.2. COMPOSITION OF THE GROUP

Entities in RAWLPLUG Group (RAWLPLUG Group, Group) as at 30 June 2021:



\* Companies not subject to consolidation (in accordance with point 31 IAS 1) as of 30 June 2021.  
 1 - the company has a branch in Lańcut.

### 2.1.3. CHANGES IN GROUP STRUCTURE

The formal merger of KOELNER Polska sp. z o.o. and RAWLPLUG S.A. took place on 4 January 2021. The merger made it possible to strengthen their market and financial position by creating one strong economic entity, centralising distribution and sales functions that had previously been carried out by two separate entities, consolidating the assets of the two merging companies and simplifying the organisational structure and operational model.

A factory in Vietnam was launched in the first half of 2021. This is yet another significant step in RAWLPLUG Group's global expansion. It strengthens the Group's independence in the areas of production, warehousing and logistics in Asian markets, thus alleviating threats resulting from problems with the availability of containers, raw materials or other circumstances that generate delays in deliveries from the Far East.

Subsidiary Rawlplug Australia Pty Ltd, based in Eastern Creek, was registered on 2 April 2021. The company engages in commercial activities consisting of Rawlplug product sales in Australia, New Zealand and Oceania. The formation of Rawlplug Australia Pty Ltd in Australia is in line with RAWLPLUG S.A.'s main strategic assumptions as regards reinforcing its foreign companies in global markets.

The sales strategy and sales team at Rawlplug Italy s.r.o. changed in the first half of 2021. The company is focusing mainly on sales in the direct sales channel.

A sales and advisory team was appointed in Thailand, which will support a new exclusive distributor's sales efforts throughout that country. The distributor has also expanded its team by adding several people dedicated to selling RAWLPLUG's products.

In the first half of 2021, the pandemic significantly curtailed commercial activities in Southern and South-eastern Asia. Restrictions in Europe were minimised by dynamically growing consumption.

The rising prices of raw materials and components as well as their limited supply proved to be a challenge. Despite these difficulties, RAWLPLUG S.A. maintained very high availability and speed of supply.

## **2.2. CHANGES IN THE MAIN PRINCIPLES OF GROUP MANAGEMENT**

RAWLPLUG Group's accounting principles are not expected to change.

## **2.3. GROWTH DIRECTIONS**

During H1 2021, there were no changes to the Issuer's economic situation or operating conditions such as could have a material impact on the fair value of RAWLPLUG Group's or RAWLPLUG S.A.'s financial assets and liabilities, regardless of whether these are carried at fair value or adjusted purchase price (amortised cost).

The Management Board of RAWLPLUG S.A. is constantly monitoring developments related to the COVID-19 pandemic. The Management Board will undertake relevant activities if it concludes that the Group's and the Company's activities must be adapted to new market conditions.

## **2.4. PARENT'S AUTHORITIES**

### **2.4.1. MANAGEMENT BOARD**

Composition of RAWLPLUG S.A.'s Management Board as at 30 June 2021:

- Radosław Koelner - President of the Management Board
- Marek Mokot - Vice-President of the Management Board
- Piotr Kopydłowski – Member of the Management Board, CFO

### **2.4.2. SUPERVISORY BOARD**

Composition of RAWLPLUG S.A.'s Supervisory Board in the period from 1 January 2021 to 30 June 2021 and as of the date on which this report was published:

- |                        |                             |
|------------------------|-----------------------------|
| Krystyna Koelner       | - Chairperson               |
| Tomasz Mogilski        | - Deputy Chairperson        |
| Włodzimierz Frankowicz | - Member                    |
| Janusz Pajka           | - Member                    |
| Zbigniew Stabiszewski  | - Member                    |
| Zbigniew Pamuła        | - Member until 21 June 2021 |
| Anna Piotrowska-Kus    | - Member from 21 June 2021  |

### **2.4.3. SHARES HELD BY THE PARENT'S MANAGEMENT BOARD OR SUPERVISORY BOARD MEMBERS**

As per the Company's knowledge, members of RAWLPLUG S.A.'s Management Board and Supervisory Board held shares as follows:

<b>Management Board</b>		<b>Number of shares at report date</b>	<b>Number of shares at date on which the Q1 2021 consolidated quarterly report was published</b>
Radosław Koelner	- President	3 189 371	3 189 371
Marek Mokot	- Vice-President of the Management	0	0
Piotr Kopydłowski	- CFO	29 344	29 344

<b>Supervisory Board</b>		<b>Number of shares at report date</b>	<b>Number of shares at date on which the Q1 2021 consolidated quarterly report was published</b>
Krystyna Koelner	- Chairperson	0	0
Tomasz Mogilski	- Deputy Chairperson	100 000	100 000
Włodzimierz Frankowicz	- Member	0	0
Janusz Pajka	- Member	0	0
Zbigniew Stabiszewski	- Member	0	0
Anna Piotrowska-Kus	- Member	2 000	2 000

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

## 2.5. SHAREHOLDING STRUCTURE, INCLUDING SHAREHOLDERS DIRECTLY OR INDIRECTLY HOLDING AT LEAST 5% OF GENERAL MEETING VOTES

According to information known to the Company, the shareholding structure of RAWLPLUG S.A., including shareholders with at least 5% of votes, was as follows on the dates on which the Q1 2021 consolidated periodic report and these financial statements were published:

<b>Shareholder</b>	<b>Number of shares</b>	<b>% in share capital</b>	<b>Number of votes at the general meeting</b>	<b>% of votes at the general meeting</b>
Amicus Polinae Sp. z o.o.	17 453 750	53.60	17 453 750	53.60
Radosław Koelner	3 189 371	9.80	3 189 371	9.80
PKO BP Bankowy PTE S.A.	2 933 639	9.01	2 933 639	9.01
Nationale Nederlanden PTE S.A.	2 842 138	8.73	2 842 138	8.73
Other	6 141 102	18.86	6 141 102	18.86
<b>TOTAL</b>	<b>32 560 000</b>	<b>100.00</b>	<b>32 560 000</b>	<b>100.00</b>

There are no limitations on the exercise of RAWLPLUG S.A.'s voting rights.

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

## 2.6. TREASURY SHARES

On 18 June 2020, the Management Board of RAWLPLUG S.A. made a decision on the terms and manner of the Company's buy-back, as announced in current report 9/2020. The Management Board of RAWLPLUG S.A. had been authorised to conduct a buy-back by the Company's Extraordinary General Meeting through resolution no. 4 of 10 September 2018 regarding General Meeting consent for the purchase of RAWLPLUG S.A. shares pursuant to art. 362 § 1 point 8 of the Polish Commercial Companies Code, and this concerns purchase of the Company's treasury shares, increasing the reserve capital for this purpose and determining rules for the purchase of treasury shares in order to cancel or re-sell them.

In the period 19 - 26 June 2020, RAWLPLUG S.A. purchased 599 treasury shares at the average unit price of PLN 7.66, with the intermediation of Trigon Dom Maklerski S.A. The total purchase price was PLN 4 588.44. The nominal value of one share is PLN 1.00, and the total nominal value of the shares purchased in the aforementioned period was PLN 599.00. The purchased shares constitute 0.0018% of RAWLPLUG S.A.'s share capital and carry 599 votes, constituting 0.0018% of votes at the Company's General Meeting.

As at 30 June 2020, the Company held a total of 599 treasury shares, constituting 0.0018% of share capital and entitling to 599 votes, constituting 0.0018% of votes at the Company's General Meeting. Detailed information on these transactions were presented by the Management Board of RAWLPLUG S.A. in current report 10/2020 of 29 June 2020.

On 7 July 2020, the Management Board of RAWLPLUG S.A. adopted a resolution to suspend its buy-back programme, announced in current report 9/2020 of 18 June 2020, and on announcement of an invitation to submit offers to sell the Company's shares. The suspension extended from 8 July 2020 to 28 August 2020. In accordance with this resolution, the Management Board of RAWLPLUG S.A., with the intermediation of an investment firm, sent out an invitation to its shareholders to submit offers to sell shares in transactions outside of organised trading. The notice along with details and changes in terms concerning the share price was presented in current report 13/2020 of 17 July 2020 and published on the Company's website [www.rawlplug.pl/pl/relacje-inwestorskie/](http://www.rawlplug.pl/pl/relacje-inwestorskie/). Following the invitation to submit offers to sell the Company's shares, on 24 July 2020 RAWLPLUG S.A. purchased 1 500 000 treasury shares with a nominal value of PLN 1.00 each. The shares were purchased for PLN 8.30 each. The purchased shares constitute 4.606% of RAWLPLUG S.A.'s share capital and carry 1 500 000 votes at the Company's General Meeting, which constitutes 4.606% of total votes. A proportional reduction of sales offers of 62.4295% was applied in the share purchase.

As at 30 June 2021, RAWLPLUG S.A. held a total of 1 500 599 treasury shares with a total nominal value of PLN 1 500 599.00. Pursuant to art. 364 par. 2 of the Polish Commercial Companies Code, RAWLPLUG S.A. does not exercise voting rights attached to the treasury shares it holds.

## 3. FACTORS SIGNIFICANT TO GROUP DEVELOPMENT IN H1 2021, INCLUDING THREATS AND RISKS, AND GROWTH PERSPECTIVES

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### 3.1. EXTERNAL FACTORS

#### 3.1.1. MACROECONOMIC SITUATION AND CONDITIONS IN THE INDUSTRY

##### 3.1.1.1. IMPACT OF COVID-19 ON RAWLPLUG GROUP'S ACTIVITIES

RAWLPLUG S.A. and RAWLPLUG Group subsidiaries have engaged in a range of activities intended to adapt to the changing operational conditions and to prevent the spread of COVID-19. The Group has also undertaken prevention measures in order to limit the spread of the virus, including:

- ✓ procedures for keeping direct contacts to a minimum and remote work options were introduced,
- ✓ employees were provided with protective equipment and disinfection agents, health and hygiene procedures were implemented,

- ✓ business travel and participation in meetings were reduced - the scope of other communication means, such as teleconferences, online communicators, video conferences, was extended.

In effect, in the first half of 2021 no operational disruptions were recorded at RAWLPLUG S.A. and RAWLPLUG Group. Given the negligible impact of the pandemic on operations, the Group's Polish companies did not use the available state support programmes to a large extent.

Despite the fact that RAWLPLUG S.A. is monitoring risk on an on-going basis, as of the date on which this report was prepared it was unable to estimate the impact of the pandemic on its long-term results because this impact is also subject to factors that remain outside of the influence or control of RAWLPLUG S.A. and RAWLPLUG Group. If new significant events related to the impact of COVID-19 on the activities of the Company and the Group take place and if credible estimates of the potential impact of limiting the factory's operations on results materialise, RAWLPLUG S.A. will disclose the relevant information through current reports.

#### **3.1.1.2. CONSTRUCTION AND FIXINGS INDUSTRY**

Demand on the domestic construction and fixings market remained high in H1 2021, despite large-format stores being temporarily closed. The first half ended with sales growth in comparison to the same period last year. This trend is expected to continue in the second half of the year.

Similarly good conditions prevailed in other European markets. RAWLPLUG Group's sales across most of the markets were significantly higher than in the same period of 2020. This was driven by high product availability, the growing popularity of the RAWLPLUG brand and efforts by local salesforce.

Conditions in the Middle East began to improve in the second quarter of this year. The deteriorating pandemic situation in the Far East significantly reduced sales growth.

As a result of restrictions in international travel, a majority of meetings and events with foreign guests were held as teleconferences. The global trend of holding online conferences intensified the number of meetings and workshops for counterparties, which prior to the pandemic mostly preferred traditional meetings.

#### **3.1.1.3. INDUSTRIALS SECTOR**

Revenue from sales generated in January-June 2021 at the Łańcut branch of Koelner Rawlplug IP Sp. z o.o. was significantly higher than in the same period last year. The growth in domestic sales was caused by economic growth along with a partial change in product portfolio, from standard to specialist products, which are more technologically advanced. Currently, all efforts of our domestic salesforce continue to be directed at acquiring clients from the special products segment - retaining the level of sales from before the removal of duty will be largely dependent on the development of new market segments.

The increase in foreign sales of screw products is also the effect of growth in the sectors being catered to by Koelner Rawlplug IP Sp. z o.o., Łańcut branch, and most importantly dynamic growth in the automotive sector.

The Łańcut-based factory intends to continue with its existing development strategy based on growing the share of special products for the automotive segment and less focusing on standard products. This strategy allows it to invest in a modern machine park making it possible to both expand assortment and production volumes thus increasing its share in the European market for screw products.

Owing to the fact that the Group has very high product availability, rich offering and excellent customer service, sales in H2 2021 will largely depend on the industry maintaining demand. Unfortunately, factors independent of the Łańcut branch of Koelner Rawlplug IP Sp. z o.o., such as the economic slowdown, trade war between USA and China and stagnating industry in Western Europe may cause a temporary slowdown in sales growth on certain markets.

#### **3.1.2. EMPLOYMENT CONDITIONS; PRICES OF PRODUCTS AND INTERMEDIATES IMPORTED FROM THE FAR EAST**

In H1 2021, commodity markets were unstable, with clear price growth. This was caused by limited availability and supply chain disruptions.



### 3.1.3. EXCHANGE RATES

In terms of global cash flows, the Group is exposed to EURUSD. Given the specific nature and territorial scope of its operations, the Group has an excess of EUR (sales mostly in EUR) and shortage of USD (imports from the Far East).

In the period 1 January - 30 June 2021, the Group realised three forward contracts (with Bank BGŻ BNP Paribas S.A.) executed on 31 December 2020 by RAWLPLUG S.A., each worth 2 000 thousand EUR/PLN. Following the settlement of these transactions, the Group incurred a PLN 116 thousand loss, which was recognised in finance costs in the statement of profit and loss. As at 30 June 2021, RAWLPLUG Group did not have any open derivatives.

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

### 3.1.4. INTEREST RATES

Given the substantial share of bank borrowing in RAWLPLUG Group's financing structure, interest rates have a direct impact on financial performance. The last change (cut) of interest rates in Poland took place on 8 April 2020 and brought rates to an historic low. A minor increase in interest rates over the coming months is being contemplated.

## 3.2. 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, alongside deployment of management solutions for sales and marketing (merchandising, POS system for RAWLPLUG) as well as the introduction of the latest SAP solutions - these are the main tasks which were commenced in 2018 and is continuing.

The changes carried out in recent years aimed at better organising sales, production and marketing allow us to achieve optimal effectiveness and maximally use the Group's potential. Substantial capex on machinery, particularly as regards the production facility at Rawlplug S.A. as well as at the Łańcut branch of Koelner Rawlplug IP Sp. z o.o. have increased productivity, which translated into better product availability and higher pricing competitiveness, alongside an upgraded product offering.

## 3.3. SUSTAINABLE DEVELOPMENT STRATEGY

RAWLPLUG Group's sustainable development is being implemented based on three pillars: value-based management, care for the environment and social engagement.

The key events in each of these areas in H1 2021 were as follows:

- ✓ Value-based management

### Audit of in-house production control

Strict in-house production control audits are performed once a year. These audits take place at the production facilities in Wrocław and Łańcut as well as at our suppliers in China, Taiwan, Vietnam, India, Germany and Poland. The audits are carried out by the Certification Department of the Building Research Institute in Warsaw. All of the audits performed in the first half of 2021 were concluded positively.

### Audit of management systems

An external audit of Integrated Management Systems was carried out in March 2021 by TÜV Rheinland at the production facility in Wrocław, encompassing management systems compliant with ISO 9001, ISO 14001, ISO 45001 and ISO/IEC 27001. The audit was concluded positively.

A re-certification audit for the Quality Management System for automotive suppliers IATF 16949 and ISO 9001 was performed at the production facility in Łańcut in February 2021. TÜV NORD was the certification entity for the facility in Łańcut. The audit was concluded positively. An audit of the Environmental Management System and Occupational Health and Safety Management System in accordance with ISO 14001 and ISO 45001 was performed in April 2021. SGS was the certification entity, and the audit was successful.

#### Sustainability Report 2020

The 2020 Sustainability Report was published in June 2021. This is an important document, published each year, depicting Rawlplug Group's activities in the field of sustainable development. The report contains information on the business strategy, new products, concern for employees, environment and regarding the Group's charitable activities.

- ✓ Social engagement

#### "Oncology awareness" webinar

A webinar for the employees of the Wrocław headquarters on oncology prevention was held in mid-May. It was organised by Fundacja Onkologika, and the meeting was conducted by specialist doctors. Approx. 100 of our employees signed up to participate in the webinar. The upcoming holiday period was the ideal reason to discuss the prevention of skin changes (including melanoma). The doctors also discussed the issue of one of the most popular cancers - colon cancer. More than 50 employees decided to get tested for colon cancer, and over a dozen people consulted the images of their skin changes in order to rule out melanoma.

#### Support for employees

In the first half of 2021, Rawlplug S.A. financed holidays for employees and a range of other social benefits from the Company Social Benefit Fund.

Out of concern for its employees, Rawlplug gets involved in their life problems and spares no effort to help in solving them. This is why it supports employees individually, based on information about their living situation. In the first half of the year, Rawlplug S.A. provided financial support to three employees.

#### Support for local communities

In the first half of 2021, Koelner Rawlplug IP provided financial support to the Arts Precursor.

On the occasion of Easter, as part of the "Rzeźuchowy Skarb" campaign, children hospitalised at the T. Marciniak Dolnośląski Szpital Specjalistyczny received Easter packages.

Rawlplug S.A. provided support to Fundacja Funkomitywa in purchasing gifts for children hospitalised at the University Clinical Hospital in Wrocław in a campaign entitled "Golden Dragon Clinic - Small Patient's Toolbox."

In January 2021, Koelner Rawlplug IP provided support to Wrocław Basketball Club.

In the first half of 2021, Koelner Rawlplug IP (branch in Łańcut) provided financial support to Polskie Towarzystwo Gimnastyczne Sokół as part of its sponsorship activities.

### **3.4. GROWTH PERSPECTIVES**

Dynamically rising consumption and varying economic conditions across countries due to restrictions caused by the Covid-19 pandemic and an insufficient supply of raw materials and components make it significantly more difficult to plan production and procurement. In addition, higher costs and longer procurement times for components and finished goods as well as transport create a risk of product shortages. The priority for 2021 is to maintain a high availability of finished products in these difficult conditions and to acquire new customers that are having problems with availability at their existing suppliers. The development

of the production facilities in Thailand and Vietnam and an investment in local consignment warehouses in countries that are far away from the Polish manufacturing sites will also help in optimising this process.

2020 proved that a traditional sales model is not always feasible. RAWLPLUG SA is accelerating work on implementing a new e-commerce system integrated with CRM, PIM and systems for the automation of marketing activities, which are to become a platform for more effective acquisition, incentivising and managing customer relations, also remotely in the event that no sales visit is possible.

2021 is yet another year of new products and the development of services and the Rawlplug Academy training program throughout the world, both at our subsidiaries and exclusive distributors.

RAWLPLUG continues its sales growth strategy by setting up new subsidiaries, establishing collaboration with new distributors and acquiring clients in new channels and segments.

RAWLPLUG Group continues pursuing its sustainable development mission, an inherent element of which is to minimise adverse impact on the natural environment. Goods made of innovative plastics components that will substantially reduce plastic waste that is generated in the Group's production processes will be introduced in 2021.

### **3.5. GROUP STRATEGY**

RAWLPLUG Group's main strategic objective is to reinforce its position in markets where the Group is already present. The aim is to strengthen the market position of RAWLPLUG Group's foreign companies, introduce new high-margin products and develop business via new distribution channels, such as DIY and OEM or e-commerce.

Another strategic objective of RAWLPLUG Group for 2021 is to focus on technologically advanced products groups, where the Group has high production competences. The Group aims to distribute its products through all available sales channels, which will be operated by either RAWLPLUG S.A. or its subsidiaries, depending on local requirements. The Group invariably considers European markets as key, but is also expanding in the Middle East, Australia, South America, Central and Eastern Asia and Africa.

## **4. SEASONALITY OF SALES**

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Given the fact that the main customer group for RAWLPLUG Group's products and goods is the construction sector, sales are subject to seasonality. The Group generates the largest portion of its revenue from sales in the third quarter and the smallest in the fourth quarter. Considering that sales of hand tools and power tools - which are subject to lesser seasonality than construction fixings - are increasing their share in the Group's overall sales structure, the seasonality effect is decreasing. Seasonality of sales is characteristic for both Poland as well as RAWLPLUG Group's foreign sales markets.

## **5. INVESTMENTS AND R&D**

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### **5.1. INVESTMENTS**

RAWLPLUG Group's expenditures on property, plant and equipment and intangible assets in the first half of 2021 reached PLN 23 660 thousand. These mainly concerned machine park modernisations at the production facilities in Wrocław, Łańcut and Vietnam. Investment expenditures also included research and development activities, the purchase and implementation of software.

At 30 June 2021, RAWLPLUG Group's had no bank deposits.

## 5.2. R&D

R&D activities in H1 2021 were mainly conducted at RAWLPLUG S.A. and the Łańcut branch of Koelner Rawlplug IP Sp. z o.o.

In H1 2021, the Łańcut branch of Koelner Rawlplug IP Sp. z o.o. conducted activities in thermal processing and improvements in forging processes for a special group of screws for the automotive industry.

The product portfolio was extended by 59 new product groups, of which approx. 89% were for the automotive industry. Being able to maintain high quality made it possible to prepare full documentation for the approval of 71 products in accordance with automotive standards (VDA 2, AIAG PPAP). The approved products also include the highest quality and control for products with special safety requirements.

Work also continued on expanding the screw range for concrete by adding new assortment with modified diameters and types of wrenches, thus enhancing the competitiveness of RAWLPLUG Group's products.

## 5.3. INVESTMENT PLANS FOR 2021

In 2021, RAWLPLUG Group plans about PLN 40 million in investment expenditures.

The key investment projects are continuing:

- ✓ expansion of machine park at the factory in Łańcut,
- ✓ expansion of machine park at production plant in Wrocław,
- ✓ development of production at new factory in Vietnam,
- ✓ research and development works,
- ✓ deployment of IT system in further Group companies.

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

In 2021, RAWLPLUG S.A. plans about PLN 21 million in investment expenditures. These will be mostly expenditures on:

- ✓ construction, expansion and modernisation of buildings and structures,
- ✓ intangible assets,
- ✓ machinery and equipment,
- ✓ IT expansion,
- ✓ R&D, including planned expenditures on obtaining technical approvals.

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

## 6. HUMAN RESOURCES

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At 30 June 2021, RAWLPLUG Group employed 1 756 people.

## **RAWLPLUG Group employment**

	<b>30.06.2021</b>
Polish companies	1 364
Foreign companies	392
<b>TOTAL</b>	<b>1 756</b>

## **7. RELATED-PARTY TRANSACTIONS EXECUTED ON TERMS OTHER THAN MARKET TERMS**

All transactions between related parties were executed on market terms.

## **8. OFF-BALANCE SHEET ITEMS**

### **8.1. INFORMATION ON ISSUE BY THE ISSUER OR ONE OF ITS SUBSIDIARIES OF SURETIES FOR LOANS OR BORROWINGS, OR ISSUE OF GUARANTEES – TO A SINGLE ENTITY OR SUBSIDIARY OF SUCH ENTITY, IF THE TOTAL VALUE OF EXISTING SURETIES OR GUARANTEES IS SIGNIFICANT**

In H1 2021, RAWLPLUG S.A. and subsidiaries did not issue loan or borrowing sureties and did not issue guarantees the total value of which is significant.

### **8.2. OTHER OFF-BALANCE SHEET ITEMS**

As at 30 June 2021, RAWLPLUG Group did not have any material off-balance-sheet items.

## **9. SIGNIFICANT PROCEEDINGS IN PROGRESS BEFORE A COURT, ARBITRATION BODY OR PUBLIC ADMINISTRATION AUTHORITY**

At 30 June 2021, there were no proceedings on-going before a court or other authority, the object of which was a material payable or liability.

## **10. SIGNIFICANT INFORMATION FOR ASSESSMENT OF THE COMPANY AND GROUP**

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### **10.1. DIVIDEND**

On 21 June 2021, the Company's Ordinary General Meeting adopted a resolution on the payment of a dividend from the Company's net profit for 2020.

The Ordinary General Meeting set the dividend amount at PLN 11 802 572.38 thousand, i.e. PLN 0.38 per share.

The dividend applied to 31 059 401 shares (i.e. the total number of the Company's shares minus treasury shares bought back).

The Company's Ordinary General Meeting set the record date at 8 July 2021. The dividend was paid on 29 July 2021.

### **10.2. INFORMATION SIGNIFICANT TO ASSESSING THE GROUP'S AND COMPANY'S FINANCIAL SITUATION, INCLUDING ITS ABILITY TO PAY LIABILITIES**

All information significant to assessing RAWLPLUG Group's HR, asset and financial situation, its financial result and information important to assessing RAWLPLUG Group's and RAWLPLUG S.A.'s ability to meet liabilities is presented in point 3 of this Management Board Report.

In connection with the COVID-19 pandemic, the Management Board of RAWLPLUG S.A. is constantly monitoring the financial situation of the Company and RAWLPLUG Group. Currently, the Company and the Group are performing their current obligations on an on-going basis, including trade liabilities and financial liabilities. Maintaining all possible safety precautions intended to prevent the spread of the virus among employees, the Company and RAWLPLUG Group are conducting regular production activities by implementing orders, sales and logistics.

The Management Board of RAWLPLUG S.A. may not rule out that, if the virus once again dynamically spreads and the associated freeze of the national and global economy extends, the pandemic might have a negative impact on results in the coming quarters of 2021. Although at this stage it is not possible to determine the scope and scale of the impact of the present economic situation on the activities and results of the Company and the Group in the coming months.

### **10.3. EVENTS AFTER THE END OF THE REPORTING PERIOD**

On 23 July 2021, the Management Board of RAWLPLUG S.A. announced in current report 12/2021 that on 23 July 2021 a subsidiary - RAWLPLUG 5PL sp. z o.o. - won a tender to purchase an undeveloped property with an area of 4.1433ha situated in the Kostrzyńsko-Słubicka Special Economic Zone in the Lubuskie voivodship, powiat Nowosolski, municipality Kożuchów. The property will be purchased by the end of August 2021. The property purchase marks the beginning of subsidiary RAWLPLUG 5PL sp. z o.o.'s investment entitled "Construction of Distribution Centre at Kostrzyńsko-Słubicka Special Economic Zone." The investment will be carried out in the Kostrzyńsko-Słubicka Special Economic Zone in the Lubuskie voivodship, powiat Nowosolski.

The investment will encompass the construction, from the ground up, of a modern high-storage warehouse with an area of 18 000 sqm, development of external infrastructure, purchase, installation and launch of essential technological and ancillary devices, including automatics and dedicated IT systems. The investment will make it possible to transfer certain logistics processes from the Company's head office to the newly-built distribution centre, increase warehousing capabilities and product availability, directly service small shipments in Europe, streamline and optimise the supply chain for the existing production facility in Łañcut, re-purpose land that is being used for warehousing in Wrocław into the manufacture of high-margin products. The construction of the new centre will strengthen Rawlplug Group's position on the Polish market and its potential to expand on European markets.

The planned total value of the investment is at least PLN 80 299 000. Capital expenditures include the purchase of land, warehouse construction, purchase of equipment, automatics and dedicated IT systems. These will be incurred in 2021-2025. The entire investment is expected to be completed by the end of 2025. The investment will be financed with own funds and bank credit. The investment plan assumed that subsidiary RAWLPLUG 5PL sp. z o.o. would submit an application to the Kostrzyńsko-Słubicka Special Economic Zone for a decision supporting the investment over a 15-year period in connection with the investment, in the form of an exemption from corporate income tax of up to 35% of eligible investment expenditures under the program "Polish Investment Zone." On 9 July 2021, subsidiary RAWLPLUG 5PL sp. z o.o. received a decision from the Kostrzyńsko-Słubicka Special Economic Zone regarding support for the new investment consisting of the formation of a new service business specialising in providing comprehensive logistics services, i.e. warehousing, planning and supply, call center, customs service, transport planning and management, logistics advisory.

On 25 August 2021 RAWLPLUG S.A. received a notification from the People Committee of Binh Duong Province regarding an increase of the share capital of subsidiary Rawlplug Vietnam Company Limited from USD 100 000.00 to USD 2 000 000.00, which was fully taken up by RAWLPLUG S.A.

## 11. GROUP FINANCIAL RESULTS

The following alternative measures of results are presented in order to comprehensively depict the Group's financial situation. RAWLPLUG Group presents these specific alternative measures of results because they are standard measures and ratios commonly used in financial analysis. They provide important information on financial situation, operational efficiency, profitability and cash flows. Selection of alternative measures of results is preceded by analysis in order to provide investors with useful information on the Group's financial situation, cash flows, and they provide an ultimate way to evaluate the Group's financial results.

The APMs applied by the Company should be analysed only as a supplement rather than a replacement for the financial information being presented in the financial statements, and should be examined in conjunction with the Group's financial statements.

### 11.1. CONSOLIDATED STATEMENT OF PROFIT AND LOSS

<b>RAWLPLUG Group</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>% change</b>
<b>Revenue from sales</b>	<b>487 111</b>	<b>383 438</b>	<b>27.0</b>
Cost of sales	(290 095)	(251 284)	15.4
<b>Gross profit on sales</b>	<b>197 016</b>	<b>132 154</b>	<b>49.1</b>
Selling costs	(85 692)	(71 579)	19.7
Administrative expenses	(30 150)	(24 977)	20.7
<b>Profit on sales</b>	<b>81 174</b>	<b>35 598</b>	<b>128.0</b>
Other operating revenues	7 867	6 877	14.4
Other operating expenses	(6 587)	(6 690)	( 1.5)
<b>Operating profit</b>	<b>82 454</b>	<b>35 785</b>	<b>130.4</b>
Finance income	2 782	686	305.5
Finance costs	(4 586)	(6 820)	( 32.8)
Share of the net profit (loss) of equity-accounted entities	0	0	0
<b>Gross profit</b>	<b>80 650</b>	<b>29 651</b>	<b>172.0</b>
Income tax	(12 459)	(3 728)	234.2
<b>Net profit</b>	<b>68 191</b>	<b>25 923</b>	<b>163.1</b>
Depreciation	17 659	17 345	1.8
<b>EBITDA</b>	<b>100 113</b>	<b>53 130</b>	<b>88.4</b>

Consolidated revenue in H1 2021 reached PLN 487 111 thousand, up 27% on the previous year. Operating profit was PLN 82 454 thousand (up 130.4% compared with the preceding year), while EBITDA reached PLN 100 113 thousand, 88.4% higher than in H1 2020. RAWLPLUG Group generated PLN 68 191 thousand in net profit in the first six months of 2021 (vs. PLN 25 923 thousand in H1 2020, denoting a 163.1% increase).

## 11.2. ASSET AND LIABILITY STRUCTURE IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### Selected items from RAWLPLUG Group's consolidated statement of financial position

	30.06.2021	30.06.2020	Change
<b>TOTAL ASSETS</b>	<b>1 172 754</b>	<b>990 290</b>	<b>182 464</b>
Non-current assets, including:	555 004	534 336	20 668
Intangible assets	84 760	82 773	1 987
Property, plant and equipment	334 709	319 798	14 911
Investment properties	4 186	4 073	113
Investment in subsidiaries	25 883	20 258	5 625
Other non-current financial assets	55 907	53 762	2 145
Non-current receivables and prepayments	4 403	4 933	( 530)
Deferred income tax assets	45 156	48 739	( 3 583)
Current assets, including:	617 750	455 954	161 796
Inventories	316 356	241 840	74 516
Receivables and prepayments	223 929	166 221	57 708
Current financial assets	15 902	6 676	9 226
Cash and cash equivalents	60 521	40 184	20 337
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 172 754</b>	<b>990 290</b>	<b>182 464</b>
Equity	585 047	502 336	82 711
Liabilities	587 707	487 954	99 753
Non-current liabilities, including:	107 531	190 698	( 83 167)
Loans and borrowings	58 999	143 780	( 84 781)
Current liabilities, including:	480 176	297 256	182 920
Loans and borrowings	232 674	103 332	129 342
Trade and other payables	174 853	144 479	30 374

	30.06.2021	30.06.2020
Share of non-current assets	47.3%	54.0%
Share of current assets	52.7%	46.0%
Share of inventories in current assets	51.2%	53.0%
Share of receivables in current assets	36.2%	36.5%

**During the past 12 months, i.e. from 30 June 2020 to 30 June 2021, the balance sheet total increased by PLN 182 464 thousand.**

On the asset side, property, plant and equipment and intangible assets went up by PLN 16 898 thousand, receivables and prepayments increased by PLN 57 178 thousand and the value of inventory grew by PLN 74 516 thousand. Non-current and current financial assets grew by PLN 16 996 thousand.

On the equity and liabilities side, equity increased by PLN 82 711 thousand, while non-current and current liabilities grew by PLN 99 753 thousand.



### 11.3. RAWLPLUG GROUP'S REVENUE FROM SALES

	30.06.2021	30.06.2020	% change
Revenue from sales	487 111	383 438	27.0
Cost of sales	(290 096)	(251 284)	15.4
<b>Gross profit on sales</b>	<b>197 016</b>	<b>132 154</b>	<b>49.1</b>
<b>Margin I</b>	<b>40.4%</b>	<b>34.5%</b>	<b>17.4</b>

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Revenue from sales	261 867	225 244	194 736	209 454	181 714	201 724
Cost of sales	(154 048)	(136 047)	(118 220)	(133 287)	(116 969)	(134 315)
<b>Gross profit on sales</b>	<b>107 819</b>	<b>89 197</b>	<b>76 516</b>	<b>76 167</b>	<b>64 745</b>	<b>67 409</b>
<b>Margin I</b>	<b>41.2%</b>	<b>39.6%</b>	<b>39.3%</b>	<b>36.4%</b>	<b>35.6%</b>	<b>33.4%</b>

Consolidated revenue from sales in H1 2021 was PLN 487 111 thousand, up 27.0% on the same period the previous year.

After the first six months of 2021, gross margin was 40.4%, compared with 34.5% in the same period of 2020. On a quarterly basis, gross margin in the second quarter of 2021 was 41.2% and was higher than in Q2 2020 (35.6%).

#### RAWLPLUG Group sales

Sales location	01-06.2021		01-06.2020		Change	
	PLN 000s	% share	PLN 000s	% share	PLN 000s	%
Domestic	136 113	27.9%	120 640	31.5%	15 473	12.8%
Export	350 998	72.1%	262 798	68.5%	88 200	33.6%
<b>Total</b>	<b>487 111</b>	<b>100.0%</b>	<b>383 438</b>	<b>100.0%</b>	<b>103 673</b>	<b>27.0%</b>

#### 11.3.1. DOMESTIC SALES

In the first half of 2021, domestic sales came to PLN 136 113 thousand, a level 12.8% higher than that achieved in the preceding year. Currently, all efforts of our domestic sales force continue to be directed at acquiring clients from the special products segment - retaining the level of sales from before the removal of duty will be largely dependent on the development of new market segments.

#### 11.3.2. FOREIGN SALES

RAWLPLUG Group's H1 2021 foreign sales reached PLN 350 998 thousand, up by 33.6% thousand from H1 2020. RAWLPLUG Group's export sales currently constitute 72.1% of total sales.

#### 11.3.3. PRODUCT STRUCTURE

Assortment	01-06.2021		01-06.2020		Change	
	PLN 000s	% share	PLN 000s	% share	PLN 000s	%
Products and services	284 332	58.4%	237 744	62.0%	46 588	19.6%
Goods and materials	202 779	41.6%	145 694	38.0%	57 085	39.2%
<b>Total</b>	<b>487 111</b>	<b>100.0%</b>	<b>383 438</b>	<b>100.0%</b>	<b>103 673</b>	<b>27.0%</b>

In the first half of 2021, we continued our strategy of changing the product portfolio, which consisted of dropping low-margin products and trademarks (third-party labels) and focusing on higher-margin products. As a result, these products accounted for 58.4% of total sales.

#### 11.3.4. SUPPLY SOURCES

Goods for resale as well as materials and goods for further processing that RAWLPLUG Group purchases 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 Group does not have any suppliers that would have exclusive rights to any assortment. There is an alternative supplier for each product and material, resulting from the Group's long-term strategy. No supplier exceeded 10% in the purchasing structure, however RAWLPLUG Group strives to maximise purchasing volumes, which go through its own purchasing company in China, Rawlplug Shanghai Trading Ltd.

#### 11.4. SELLING COSTS AND ADMINISTRATIVE EXPENSES

	30.06.2021	30.06.2020	% change
Selling costs	85 692	71 579	19.7
Administrative expenses	30 150	24 977	20.7
<b>Operating expenses</b>	<b>115 842</b>	<b>96 556</b>	<b>19.7</b>
<b>Share of costs in sales</b>	<b>23.8%</b>	<b>25.2%</b>	

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2	Q1 2020
Selling costs	46 330	39 362	40 571	40 369	31 947	39 632
Administrative expenses	15 362	14 788	15 480	12 911	12 624	12 353
<b>Operating expenses</b>	<b>61 692</b>	<b>54 150</b>	<b>56 051</b>	<b>53 280</b>	<b>44 571</b>	<b>51 985</b>
<b>Share of costs in sales</b>	<b>23.6%</b>	<b>24.0%</b>	<b>28.8%</b>	<b>25.4%</b>	<b>24.5%</b>	<b>25.8%</b>

After the first six months of 2021, RAWLPLUG Group recorded a 19.7% increase in selling costs. RAWLPLUG Group's administrative expenses increased by 20.7%, compared with the same period last year. Costs as a percentage of sales decreased to 23.8%.

#### 11.5. FINANCING ACTIVITIES

	30.06.2021	30.06.2020	% change
Finance income	2 782	686	305.5
Finance costs	(4 586)	(6 820)	( 32.8)
<b>Result on financing activities</b>	<b>(1 804)</b>	<b>(6 134)</b>	<b>( 70.6)</b>

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Finance income	2 409	373	286	308	319	367
Finance costs	(1 568)	(3 018)	(3 052)	(2 854)	(2 352)	(4 468)
<b>Result on financing activities</b>	<b>841</b>	<b>(2 645)</b>	<b>(2 766)</b>	<b>(2 546)</b>	<b>(2 033)</b>	<b>(4 101)</b>

In the first half of 2021, RAWLPLUG Group generated PLN 2 782 thousand in finance income and incurred PLN 4 586 thousand in finance costs.

Finance income comprised (in PLN 000s):

	30.06.2021	30.06.2020
Interest on loans and borrowings granted	566	649
Gains on exchange differences	1290	0
Dividends and share of profit	447	0
Other interest	32	20
Derivative instruments	420	0
Other	27	17
	<b>2782</b>	<b>686</b>

Finance costs comprised (in PLN 000s):

	01-06.2021	01-06.2020
Interest on loans, borrowings and leases	2 527	3 805
Other interest	207	261
Losses on exchange differences	281	962
Commissions	689	788
Impairment of financial assets	13	9
Sureties and guarantees	41	1
Other	828	994
	<b>4 586</b>	<b>6 820</b>

In the period 1 January - 30 June 2021, the Group performed three forward contracts with BNP Paribas Bank Polska S.A. executed on 31 December 2020 by RAWLPLUG S.A. for EURPLN 2 000 thousand 2 000 thousand EUR/PLN. Following the settlement of these transactions, the Group incurred a PLN 116 thousand loss, which was recognised in finance costs in the statement of profit and loss. As at 30 June 2021, RAWLPLUG Group did not have any open derivatives.

In the period 1 January - 30 June 2021, RAWLPLUG S.A. had open accounts at DM BOŚ S.A. under an agreement to exercise orders to buy and sell financial instruments on the cash market. Under this agreement, in H1 2021 RAWLPLUG Group recorded a PLN 202 thousand gain as a result of settling transactions on financial derivatives, and its open positions were measured, with the Group recording a PLN 334 thousand gain.

The Management Board continues to prioritise cost optimisation in both operating and financing activities. This will result in more streamlined processes within the Group and use of natural hedging for foreign currency-denominated balance sheet items in as far as practicable.

## 11.6. PROFITABILITY RATIOS

<b>Group profitability ratios</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
Gross sales margin	40.4%	34.5%
Operating margin	16.9%	9.3%
Net margin	14.0%	6.8%
Return on assets	5.8%	2.6%
Return on equity	11.7%	5.2%
EBITDA margin	20.6%	13.9%

Group profitability ratios	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Gross sales margin	41.2%	39.6%	39.3%	36.4%	35.6%	33.4%
Operating margin	17.5%	16.3%	8.2%	13.5%	11.1%	7.8%
Net margin	15.4%	12.4%	5.4%	10.3%	8.6%	5.1%
Return on assets	3.4%	2.5%	1.1%	2.1%	1.6%	1.0%
Return on equity	6.9%	5.0%	2.0%	4.2%	3.1%	2.1%
EBITDA margin	21.0%	20.1%	12.6%	17.7%	15.8%	12.1%

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
- ✓ EBITDA margin = EBITDA / revenue from sales

All profitability ratios improved in H1 2021, comparing with the same period last year.

## 11.7. LIQUIDITY RATIOS

Group's liquidity ratios	30.06.2021	30.06.2020
Current ratio	1.29	1.53
Liquidity ratio	0.63	0.72

Ratio methodology:

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

At the end of the first half of 2021, liquidity ratios decreased but remain at safe levels.

## 11.8. DEBT RATIOS

Group's debt ratios	30.06.2021	30.06.2020
Debt ratio	50.1%	49.3%
Financial leverage	100.4%	97.1%
Equity to non-current assets	105.4%	94.0%
Long-term debt ratio	9.2%	19.3%
Non-current liabilities to liabilities	18.3%	39.1%

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

At 30 June 2021, the debt ratio increased to 50.1% (from 49.3% as at 30 June 2020), while debt to equity increased to 100.4% (from 97.1% as at 30 June 2020).

## **11.9. PROGRESS VERSUS PREVIOUSLY PUBLISHED GUIDANCE**

The Management Board did not publish a financial forecast for 2021.

## **11.10. FACTORS AND EXTRAORDINARY EVENTS HAVING AN IMPACT ON FINANCIAL RESULTS**

The sole atypical event in H1 2021 was the COVID-19 pandemic, but it had no material impact on the financial results of RAWLPLUG S.A. or RAWLPLUG Group. More information on this is available in point 3 of this report.

Radosław Koelner - President of the Management Board

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Marek Mokot - Vice-President of the Management Board

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Piotr Kopydłowski – Member of the Management Board, CFO

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