

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

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To the Shareholders of Rawlplug S.A.

Report on audit of annual financial statements

Opinion

We have audited the annual financial statements of RAWLPLUG Spółka Akcyjna (Company), based in Wrocław, ul. Kwidzyńska 6, consisting of the statement of financial position as at 31 December 2022, statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended on that date, as well as additional information on applied accounting rules and other explanatory information.

In our opinion, the enclosed annual financial statements:

- provide a reliable and clear view of the Company's asset and financial situation as at 31 December 2022 and its financial result and cash flows for the financial year ended on that date in accordance with International Accounting Standards, International Financial Reporting Standards and the associated interpretations published in the form of European Commission regulations and the adopted accounting principles (policy),
- are prepared on the basis of correctly maintained accounts,
- are in compliance with legal regulations applicable to the Company and the Company's articles of association as to their form and content.

This opinion is consistent with the additional report to the Audit Committee, issued on the date of this audit report.

Basis for the opinion

We carried out the audit in accordance with:

Audit – Tax – Outsourcing – Advisory
Member of Grant Thornton International Ltd

- Act of 11 May 2017 on statutory auditors, audit firms and public oversight (consolidated text: Polish Journal of Laws of 2022, item 1302, as amended) (Act on statutory auditors),
- International Standards on Auditing, version adopted as National Standards on Auditing by the National Chamber of Statutory Auditors through resolution no. 3430/52a/2019 of 21 March 2019, 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),

In accordance with these standards, our responsibility is further described in this report in the section *Statutory auditor's responsibility for audit of the annual financial statements*.

We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants* (including International Independence Standards) (IESBA Code), adopted by the National Chamber of Statutory Auditors through resolution no. 3431/52a/2019 of 25 March 2019 as professional ethics rules for statutory auditors, and with other ethics requirements applicable to audits of financial statements in Poland. In the course of the audit, the lead statutory auditor and the audit firm remained independent of the Company in accordance with the independence requirements specified in the Act on statutory auditors and Regulation 537/2014. Further, we complied with our other ethical obligations in accordance with these requirements and the IESBA Code.

We consider that the audit evidence we obtained is sufficient and appropriate to serve as the basis for our opinion.

Key audit matters

Key audit matters are matters that, according to our professional judgement, were of key significance during the audit of the annual financial statements for the present reporting period. They include the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud. We referred to these matters in the context of the audit of the annual financial statements as a whole and in formulating our opinion on these financial statements. Below, we summarise our response to these risks and, where we considered it as necessary, we present the most important comments about these risks. We do not issue a separate opinion on these matters.

Shares and loans in related parties

Description

In the Company's financial statements as at 31 December 2022, the Company presents shares in related parties worth PLN 310 540 thousand and loans to related parties worth PLN 88 576 thousand, which constitutes 42% of the balance sheet total.

For companies the net assets of which were lower than their purchase price, the Management Board carried out impairment tests.

Disclosures concerning interests in related parties and loans to related parties are presented in notes 6, 7 and 34.

Due to the material value of these stakes and the fact that impairment tests are based on assumptions, judgements and estimates made by the Management Board, we consider this to be a key audit matter.

Statutory auditor's response

In the course of the audit procedures we performed, we assessed how completely the Company's Management Board identified indications of impairment of these shares and we assessed the conducted impairment tests, including:

- verifying the validity of the adopted methodology and correctness of calculations,
- assessing the Management Board's assumptions and financial projections,
- verifying the correctness of estimates made for the purposes of measurement, including assessment of the Management Board's judgements made on this basis.

Revenue from sales

Description

In the statement of profit and loss for the financial year ended on 31 December 2022, revenue from sales reached PLN 610 653 thousand, with sales in foreign markets accounting for over 52% of the Company's total revenue from sales. Such sales may feature specific delivery terms and a different moment at which control over the object of transaction is transferred to the counterparty. This gives rise to the risk of incorrectly recognising revenue in the relevant reporting period.

Disclosures related to revenue from sales are presented in notes 1 and 19.

Given the material amount of revenue generated in foreign markets, we consider this to be a key audit matter.

Statutory auditor's response

In the course of the audit, we documented our understanding of the revenue recognition process and identified the key elements of internal control within this process.

Audit procedures carried out in this area included:

- 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.

Responsibility of the Company's Management Board and Supervisory Board for annual financial statements

The Company's Management Board is responsible for preparing the annual financial statements, on the basis of correctly maintained accounting books, that represent a reliable and clear depiction of the Company's asset and financial situation, financial result and cash flows in accordance with International Accounting Standards, International Financial Reporting Standards and the associated interpretations published in the form of European Commission regulations, adopted accounting principles (policy), applicable laws and the Company's articles of association. The Company's Management Board is also responsible for internal control such as it deems necessary for preparing annual financial statements that are free of significant distortions caused by fraud or error.

In preparing the annual financial statements, the Company's Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing matters related to going concern, if applicable, and for the going concern assumption, except when the Management Board either intends to liquidate the Company or discontinue its operations or has no real alternative to liquidation or discontinuation.

Pursuant to the Accounting Act of 29 September 1994 (consolidated text: Polish Journal of Laws of 2023, item 120) (Accounting Act), the Management Board and Members of the Supervisory Board of the Company are required to ensure that the annual consolidated financial statements comply with the requirements listed in the Accounting Act. Supervisory Board members are responsible for supervising the Company's financial reporting process.

Statutory auditor's responsibility for auditing annual financial statements

Our objective is to obtain the rational certainty that the annual financial statements as a whole are free of material misstatement caused by fraud or error and to issue an audit report containing our opinion. Rational certainty is a high level of certainty but it does not guarantee that an audit performed in accordance with the National Standards on Auditing will always detect the existing material misstatements. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

The scope of the audit does not extend to assurances as to the Company's future profitability or the efficiency or effectiveness of the conduct of its affairs by the Company's Management Board currently or in the future.

During an audit compliant with the National Standards on Auditing, we apply professional judgement and we maintain professional scepticism as well as:

- identify and assess the risks of material misstatement in the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of the applied accounting rules (policy) and the rationality of accounting estimates and related disclosures made by the Company's Management Board;
- conclude on the appropriateness of the Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the statutory auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit proof obtained until the date on which this statutory auditor report is prepared, however future events or conditions may result in the Company not continuing operations;
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence and we communicate with the Supervisory Board all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Supervisory Board, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our statutory auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the management report

The other information includes a report on the Company's operations for the financial year ended 31 December 2022, together with a statement on the application of corporate governance rules and a statement on non-financial information, as referred to in art. 49b sec. 1 of the Accounting Act, which constitute separate parts of this report on operations and an annual report for the financial year ended 31 December 2022 (excluding the annual financial statements and our statutory auditor report).

Management Board and Supervisory Board responsibility

The Company's Management Board is responsible for preparing the other information in accordance with the Accounting Act and other applicable laws. Moreover, the Company's Management Board and members of the Supervisory Board are required to ensure that the report on operations meets the requirements arising from the Accounting Act.

Responsibility of the statutory auditor

Our opinion on the annual financial statements does not cover the other information and we do not make any form of assurance resulting from the National Standards on Auditing. In connection with the audit of the annual financial statements, our responsibility is to read the other information and in the course of this identify whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on our work, we identify material misstatements in the other information, we are required to note this in our audit report. Our responsibility under the requirements of the Act on Statutory Auditors is also to express an opinion on whether the management report (excluding the statement referred to in art. 49b of the Accounting Act) has been prepared in accordance with the regulations and whether it is consistent with the information contained in the annual financial statements. Moreover, we are required to note whether the Company has prepared a statement on non-financial information and to issue an opinion on whether the Company included the required information in its statement on the application of corporate governance rules. We obtained the management report, letter from the President of the Management Board, selected financial data, Management Board statement on the financial statements and management report, Management Board information on the selection of the audit firm to audit the annual financial statements in accordance with the regulations prior to the date of this audit report, and the remaining elements of the annual report (Supervisory Board statement on the Audit Committee and Supervisory Board assessment of the management report and financial statements) will be made available to us after that date. If we identify material misstatements in the annual report, we are required to notify the Company's Supervisory Board.

Opinion on the report on operations

In our opinion, the report on operations was prepared in accordance with the relevant regulations, i.e. pursuant to the provisions of art. 49 of the Accounting Act and § 70 of the Ordinance of the Minister of Finance of 29 March 2018 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 2018, item 757) (Ordinance on current and periodic information) and is in compliance with information contained in the enclosed annual financial statements. Moreover, in light of the knowledge about the Company and its surroundings obtained in the course of auditing the annual financial statements, we did not identify any distortions in the report on operations.

Opinion on statement on application of corporate governance

In our opinion, the Company has included the information referred to in § 70 sec. 6 point 5 of the Regulation on current and periodic information in its statement on corporate governance. The information indicated in § 70 sec. 6 point 5 letters c-f, h and i of the 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 financial statements.

Information on preparation of statement on non-financial information

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

Report on other legal requirements and regulations

Statement on non-audit services

To the best of our knowledge and belief, we declare that we did not provide 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 Company's annual financial statements for 2022 and 2023 through a resolution adopted by the Company's Supervisory Board on 13 May 2022. We have been continuously auditing the Company's financial statements since the financial year ended 31 December 2016, i.e. for seven consecutive financial years. We were appointed separately for the audit of each of these financial years, with the exception of 2022 and 2023, for both of which we were selected at once.

Renata Art-Franke

Statutory auditor no. 10320
Lead statutory auditor conducting the audit on behalf of
Grant Thornton Polska Prosta spółka akcyjna,
Poznań, ul. Abpa Antoniego Baraniaka 88 E, audit firm no. 4055

Poznań, 23 March 2023