Bolix S.A. Group

Independent Registered Auditor's Report

Consolidated Financial Statements

Report on Group's operations

Registered Auditor's Report on the audit of the consolidated financial statements

For the year from 1 January to 31 December 2016

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Independent Registered Auditor's Report
prepared by PricewaterhouseCoopers Sp. z o.o.

Consolidated Financial Statements
prepared by Bolix S.A. Group

Report on Group's operations
prepared by Management Board of the Parent Group of Bolix S.A.

Registered Auditor's Report on the audit of the consolidated financial statements
prepared by PricewaterhouseCoopers Sp. z o.o.

Bolix S.A. Group

Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

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Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

To the General Shareholders' Meeting and the Supervisory Board of Bolix S.A.

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I. General information about the Group

a. Bolix S.A. ("the Parent Company") with its seat in Żywiec, Stolarska 8 Street is the parent company of the Bolix S.A. Group ("the Group").

b. The Parent Company was formed on the basis of a Notarial Deed drawn up on 14 February 2005 at the Notary Public's Office of Magdalena Witkowska in Warsaw and registered with Rep. A No. 1170/2005. On 7 March 2005, the Parent Company was entered in the Register of Businesses maintained by the District Court in Bielsko-Biała, VIII Business Department of the National Court Register, with the reference number KRS 0000230009. The Parent Company was formed as a result of transformation of the Bolix Sp. z o.o. into a joint-stock company.

   On 31 March 2016 the Parent Company has merged with its subsidiary BUILD-TRADE BIS Sp. z o.o.

c. The Parent Company was assigned a tax identification number (NIP) 526-26-85-697 for the purpose of making tax settlements. For the statistical purposes the Parent Company was assigned a REGON number 015433210.

d. As at 31 December 2016 the Parent Company's share capital amounted to PLN 10,000 thousand and consisted of 10,000,000 shares, with a nominal value of PLN 1.00 each.

e. As at 31 December 2016, the Parent Company's sole shareholder was Lusako Trading Limited.

f. In the audited year, the Group's operations comprised mainly manufacture and sale of exterior insulation and finishing systems.

g. During the audited year, the Management Board of the Parent Company comprised:

- Maciej Korbasiewicz — Chairman of the Management Board;
- Ryszard Czech — Member of the Management Board.

I. General information about the Group (cont.)

h. As at 31 December 2016, the Bolix S.A. Group comprised the following entities:

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
Bolix S.A.	Parent Company	Not applicable	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2016
BUILD-TRADE Sp. z o.o.	Subsidiary (100%)	Full	The Company was not subject to an audit.	not applicable	31 December 2016
Bolix UKRAINA Sp. z o.o.	Subsidiary (100%)	Full	The Company was not subject to an audit.	not applicable	31 December 2016
SOLTHERM EXTERNAL INSULATIONS LIMITED Great Britain	Subsidiary (100%)	Full	The Company was not subject to an audit.	not applicable	31 December 2016
SOLTHERM INSOLATIONS THERMIQUE EXTERIEURE SAS France	Subsidiary (100%)	Full	The Company was not subject to an audit.	not applicable	31 December 2016

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I. General information about the Group (cont.)

i. During the financial year, the following changes took place in the scope of consolidation.

In 2016, new entities have been included into the Group:
1. SOLTHERM EXTERNAL INSULATIONS LIMITED
2. SOLTHERM INSOLATIONS THERMIQUE EXTERIEURE SAS

On 31 March 2016 Parent Company has merged with its subsidiary BUILD-TRADE BIS Sp. z o.o.

j. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, the Company has decided to prepare its financial statements in accordance with IFRS as adopted by the European Union as of 2007.

The decision to prepare the Group's financial statements in accordance with these standards was made by the General Shareholders' Meeting in their Resolution No. 1 passed on 24 January 2008.

II. Information about the audit

a. The audit of the consolidated financial statements as at and for the year from 1 January to 31 December 2016 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor, the Group's registered auditor Lubomira Murray (no. 12086).

b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Parent Company by Resolution No. 1 of the Supervisory Board of Bolix S.A. dated 21 September 2016 in accordance with paragraph 11, section 6 of the Parent Company's Memorandum of Association.

c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the entities belonging to the Group within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws of 2016, item 1000 as amended).

d. The audit was conducted in accordance with an agreement dated 26 September 2016, in the period from:

- interim audit from 10 to 14 October 2016.
- final audit from 16 January to 17 May 2017.

e. An audit was conducted in accordance with International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance with a resolution dated 10 February 2015. The scope of an audit was influenced by an application of materiality. In accordance with these auditing standards, the concept of materiality is applied by the auditor at the planning stage and when conducting the audit as well as to evaluate the effect of misstatements identified and adjusted (if any) on the consolidated financial statements, and to form the opinion in the Independent Registered Auditor's Report.

An audit was designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. The misstatements are considered to be material, if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on a professional judgement, the certain quantitative thresholds for materiality were determined and documented, including the overall materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of the audit and the nature, timing and extent of the audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole. Therefore, all statements included in the Independent Registered Auditor's Report, including those related to the other legal and regulatory requirements, have been expressed considering the materiality determined in accordance with those auditing standards and the auditor's judgement.

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III. The Group's results, financial position and significant items of the consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2016 (selected lines)

			Change		Structure	
	31.12.2016 PLN '000	31.12.2015 PLN '000	PLN '000	(%)	31.12.2016 (%)	31.12.2015 (%)
ASSETS						
Non-current assets	125,796	122,863	2,933	2.4	81.4	82.5
Current assets	28,672	26,061	2,611	10.0	18.6	17.5
Total assets	**154,468**	**148,924**	**5,544**	**3.7**	**100.0**	**100.0**
LIABILITIES AND EQUITY						
Share capital	105,692	100,536	5,156	5.1	68.4	67.5
Total liabilities	48,776	48,388	388	0.8	31.6	32.5
Total liabilities and equity	**154,468**	**148,924**	**5,544**	**3.7**	**100.0**	**100.0**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year from 1 January to 31 December 2016 (selected lines)

			Change		Structure	
	2016 PLN '000	2015 PLN '000	PLN '000	(%)	2016 (%)	2015 (%)
Revenue	111,403	93,015	18,388	19.8	100.0	100.0
Costs of sales	(60,931)	(51,409)	(9,522)	18.5	(54.7)	(55.3)
Gross profit on sales	**50,472**	**41,606**	**8,866**	**21.3**	**45.3**	**44.7**
Net profit for the year	**5,156**	**3,030**	**2,126**	**70.2**	**4.6**	**3.3**
Total net comprehensive income	**5,156**	**3,190**	**1,966**	**61.6**	**4.6**	**3.4**

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III. The Company's results, financial position and significant items of the consolidated financial statement (cont.)

Selected ratios characterising the Group's financial position and results

The following ratios characterise the Group's activities, results of operations during the year and its financial position as at the balance sheet date compared with previous years:

	2016	2015	2014
Asset ratios			
- receivables turnover	55 days	60 days	59 days
- inventory turnover	43 days	48 days	45 days
Profitability ratios			
- net profit margin	5%	3%	2%
- gross margin	7%	7%	5%
- return on capital employed	5%	3%	1%
Liability ratios			
- gearing	32%	32%	34%
- payables turnover	33 days	35 days	35 days
	31.12.2016	**31.12.2015**	**31.12.2014**
Liquidity ratios			
- current ratio	0.8	0.7	0.7
- quick ratio	0.6	0.5	0.5

The above ratios have been calculated on the basis of the consolidated financial statements.

It was not the purpose of the audit to present the Group in the context of the results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Group's operations and its circumstances.

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III. The Company's results, financial position and significant items of the consolidated financial statement (cont.)

The consolidated financial statements do not take into account the effects of inflation. The consumer price index (on a December to December basis) amounted to 0.8% in the audited year (2015: deflation -0.5%).

The following comments are based on information obtained during the audit of the consolidated financial statements.

The comparability of the consolidated financial statements for 2015 and 2016, and thus the information content of the financial ratios for these years, may be limited due to the merger of the Parent Company with its subsidiary BUILD-TRADE BIS Sp. z o.o.

The factors described below had a significant impact on the Group's results of operations and on its financial position as at the balance sheet date:

- The Group's core activities in the current financial year consisted of manufacture and sale of exterior insulation and finishing system. Revenue amounted to PLN 111,403 thousand, which constituted a PLN 18,388 thousand, i.e. 19.8% increase compared with the previous year. This growth was mainly due to increase in sales volume.

- The cost of direct materials was the largest item of operating expenses and amounted to PLN 43,104 thousand in the audited year, which constituted 41.6% of operating expenses. The cost of direct materials has increased by PLN 5,233 thousand, i.e. by 13.8% compared with the previous year, mainly due to described above increase in sales volume.

- At the end of the financial year, the Group's total assets amounted to PLN 154,468 thousand. During the year total assets increased by PLN 5,544 thousand, i.e. by 3.7%. This increase was financed mainly by generated net profit of PLN 5,156 thousand.

- The gearing ratio amounted to 32% both at end of previous year, as well as at end of current year. The payables turnover ratio decreased from 35 days to 33 days.

- Profitability measured with net profit amounted to 5% and was 2 percentage points higher than in the previous year. The change in the Group's profitability was primarily due to increase of net profit.

The financial statements have been prepared on the assumption that the Company will continue in operation as a going concern.

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IV. The independent registered auditor's statements

a. The Management Board of the Parent Company provided all the information, explanations, and representations required by us in the course of the audit and provided us with a representation letter confirming the completeness of the information included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.

b. The scope of the audit was not limited.

c. The consolidation of equity items and the determination of minority interests were carried out properly in all material respects.

d. The elimination of mutual balances (receivables and payables) and transactions (revenue and costs) of the consolidated entities were carried out, in all material respects, in accordance with IFRS as adopted by the European Union.

e. The elimination of unrealized gains/losses of consolidated entities included in the book value of assets and in respect of dividend payments was carried out, in all material respects, in accordance with IFRS as adopted by the European Union.

f. The consolidation documentation was complete and accurate and it is stored in a manner ensuring proper safeguarding.

g. The consolidated financial statements of the Group as at and for the year from 1 January to 31 December 2015 were approved by Resolution No. 3 passed by the General Shareholders' Meeting of the Parent Company on 29 June 2016 and filed with the National Court Register in Bielsko-Biała on 6 July 2016.

h. The notes to the consolidated financial statements, which include the introduction and additional notes and explanations present all the significant information in accordance with IFRS as adopted by the European Union

i. The Report on Group's operations for the year from 1 January to 31 December 2016 includes all the information required by the Accounting Act. The financial information presented therein is consistent with that presented in the consolidated financial statements.

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V. Final information

This report has been prepared in connection with our audit of the consolidated financial statements of the Bolix S.A. Group having Bolix S.A., Stolarska 8 Street, Żywiec, as its Parent Company. The consolidated financial statements were signed by the Parent Company's Management Board on 17 May 2017.

This report should be read in conjunction with the Independent Registered Auditor's Report dated 17 May 2017 to the General Shareholders' Meeting and the Supervisory Board of Bolix S.A., that includes the audit opinion on the said consolidated financial statements. The opinion on the consolidated financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the consolidated financial statements.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Lubomira Murray

Key Registered Auditor
No. 12086

Katowice, 17 May 2017

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PricewaterhouseCoopers Sp. z o.o. is entered into the National Court Register (KRS) maintained by the District Court in Warsaw, with the reference number (KRS) 0000044655, and tax indentification number (NIP) 526-021-02-28. Share capital amounts to PLN 10,363,900. Headquarters in Warsaw, Al. Armii Ludowej 14.