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Initial capital PLN111.000,00 PLN, fully paid-up



**INDEPENDENT CERTIFIED AUDITOR'S OPINION AND REPORT**

**ON THE FINANCIAL REPORT AUDIT CARRIED OUT**

**FOR THE CAPITAL GROUP WHOSE PARENT COMPANY IS**

**STALPRODUKT S.A. BASED IN BOCHNIA**

**FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016**

## INDEPENDENT CERTIFIED AUDITOR'S OPINION

### Opinion on the Consolidated Financial Report

We have carried out an audit of the enclosed Consolidated Financial Report of the Stalprodukt S.A. Capital Group whose Parent Company is Stalprodukt S.A. based in Bochnia ul. Wygoda 69, hereinafter referred to as the Capital Group, consisting of: the Consolidated Financial Report drawn up as of 31.12.2016, Consolidated Statement of Comprehensive Income, Statement of Changes in Equity and Consolidated Cash Flow Statement for the period ending on the day concerned, additional information on the adopted accounting principles and other explanatory information.

### *Parent Company's Management Board's and Supervisory Board's Liability*

The Parent Company's Management Board is responsible for the preparation and accurate presentation of the present Consolidated Financial Report in accordance with the International Financial Reporting Standards, which have been approved by the European Union, its conformity with the legal provisions applicable to the Capital Group and with the Articles of Association, as well as for the preparation of the consolidation documentation in accordance with the provisions defined in the Regulation of the Minister of Finance as of 25 September 2009 r. on the detailed rules of preparation of consolidated financial statements of capital groups by entities other than banks, insurance companies or reinsurance companies (Journal of Laws 2009, No 169, item 1327 with subsequent amendments), hereinafter referred to as the Regulation on the Consolidation Rules. The Parent Company's Management Board is also responsible for the internal audit, which is thereby regarded as indispensable, so that the consolidated financial reports shall be free from any irregularities arising from deliberate actions or errors.

Pursuant to the Accountancy Act as of 29 September 1994 (Journal of Laws 2016, item 1047 with subsequent amendments), hereinafter referred to as the Accountancy Act, the Parent Company's Management Board and members of the Supervisory Board are obligated to ensure that the Consolidated Financial Report fulfils the requirements of the International Financial Reporting Standards approved by the European Union, Accountancy Act and Regulation on the Consolidation Rules.

### *Auditor's Liability*

Our task is to express an opinion and submit a report on the present Consolidated Financial Report on the basis of the carried out audit.

We have carried out the audit of the Consolidated Financial Report pursuant to the provisions of the National Financial Auditing Standards in the wording of the International Auditing Standards (Resolution No 2783/52/2015 of the National Council of Certified Auditors dated 10 February 2015 with subsequent amendments), hereinafter referred to as National Financial Auditing Standards and Chapter 7 of the Accountancy Act.

We are obligated by these provisions to pursue our proceedings in accordance with the rules of ethics as well as plan and carry out the audit in the way ensuring sufficient certainty that the Consolidated Financial Report does not contain any significant misstatements.

The audit consists in conducting procedures aimed at obtaining evidence as to the amounts and disclosures contained in the Consolidated Financial Report. The selection of the auditing procedures depends on our judgement, including the assessment of risk affecting the occurrence of significant irregularities in the Consolidated Financial Report resulting from deliberate actions or errors. Assessing the risk concerned, we consider the internal audit, connected with the preparation

and accurate presentation of the Capital Group's Consolidated Financial Report, in order to plan auditing procedures applicable in the circumstances concerned and not to express our opinion on the effectiveness of the internal audit. The audit also contains the evaluation of the appropriateness of the applied accounting policy, rationality of the estimated values determined by the Parent Company's Management Board and general assessment of the Consolidated Financial Report's presentation.

We believe that the audit evidence obtained by us constitutes a sufficient and adequate basis for us to express our opinion thereon.

Pursuant to the Accountancy Act we are also obligated to state in the opinion whether the Consolidated Financial Report stands in accordance, as to its form and content, with the legal provisions applicable to the Capital Group and the Parent Company's Articles of Association and whether it was prepared on the basis of the correctly prepared consolidation documentation. We made our statement in this respect on the basis of the works performed during the audit.

### *Opinion*

In our opinion the enclosed Consolidated Financial Report of the Stalprodukt S.A. Capital Group:

- reflects accurately and clearly the Capital Group's assets and financial standing as of 31.12.2016, its financial result and cash flow statement for the reporting year closing on that day in accordance with the International Financial Reporting Standards, approved by the European Union and the Capital Group's adopted accounting principles (policy),
- was prepared, in all essential aspects, in accordance with the International Financial Reporting Standards, approved by the European Union,
- stands in accordance, in all of its essential aspects, as to the form and content, with the Regulation of the Minister of Finance as of 19 February 2009 on current and periodic information disclosed by issuers of securities and conditions governing recognition of equivalent information required by non-member states (Journal of Laws 2014, item 133 with subsequent amendments), hereinafter referred to as the Regulation on Current and Periodic Information, and provisions of the Parent Company's Articles of Association affecting the same,
- was prepared on the basis of the consolidation documentation compiled correctly in all of its essential aspects in accordance with the requirements set out in the Regulation on the Consolidation Rules.

### **Report on Other Legal Requirements and Regulations**

#### ***Other information contained in the Consolidated Financial Report***

Other information embraces financial and non-financial information other than the Consolidated Financial Report and opinion accompanied with the audit report. The Parent Company's Management Board is responsible for such other information. Our opinion on the Consolidated Financial Report does not embrace such other information and, unless this has been clearly stated in the *Report on Other Legal Requirements and Regulations*, we do not provide any other form of assurance about this kind of information. Moreover, the scope of our work and character of our assurance are exclusively as described.

Pursuant the National Financial Auditing Standards our task in connection with the carried out audit of the Consolidated Financial Report, is to get familiar with such other information and consider whether or not the same contains any significant inconsistencies with the audited Consolidated Financial Report. If we detect such significant inconsistencies, we are obligated to inform about the fact in our opinion.

We have nothing to report in this respect.

### ***Report on Activities***

The Consolidated Financial Report contains the Report on the Stalprodukt S.A. Company's Activities and Stalprodukt S.A. Capital Group's Activities for the period 1 January 2016 to 31 December 2016. The Parent Company's Management Board is responsible for its preparation and submission of Declaration on Corporate Governance therein. The Parent Company's Management Board and members of the Supervisory Board are responsible for assuring that the Report on the Capital Group's Activities shall be compliant with the Regulation on Current and Periodic Information and the Accountancy Act.

Pursuant to the requirements of the Accountancy Act and Regulation on Current and Periodic Information, we are obligated to formulate an opinion whether or not the information included in the Report on the Capital Group's Activities and Declaration on Corporate Governance complies with provisions of the Regulation on Current and Periodic Information, and in respect of the Report on the Capital Group's Activities, also with the Accountancy Act provisions, and whether the same stands in accordance with the information included in the Consolidated Financial Report. Additionally, we are obligated to make a declaration, whether in the light of our knowledge on the Capital Group and its environment, obtained during the audit, we have detected any significant misstatements in the Report on the Capital Group's Activities, and in the case of detection thereof, to indicate what these misstatements consist in.

We have got familiar with the Report on the capital Group's Activities and Declaration on Corporate Governance. We have analyzed if the above contain the information required by the above legal provisions and checked whether or not the information contained therein stands in accordance with the information contained in the Consolidated Financial Report. Reading the Report on the Capital Group's Activities, we considered, on the basis of our knowledge on the Capital Group and its environment, whether or not the same contains any significant misstatements.

### ***Opinion on the Report on Activities and Declaration on Corporate Governance***

In our opinion, on the basis of the works carried out in connection with the audit of the Consolidated Financial Report:

- the enclosed Report on the Capital Group's Activities, reflects, in all essential aspects, the provisions of the Regulation on Current and Periodic Information and information referred to in art. 55 par. 2a of the Accountancy Act and the information presented in the Report stands in accordance with the information contained in the audited Consolidated Financial Report,
- the Declaration on Corporate Governance contains, in all essential aspects, the information required by the Regulation on Current and Periodic Information and the information contained therein stands in accordance with the information contained in the audited Consolidated Financial Report.

*Other Statements Regarding the Report on Capital Group's Activities*

In the light of our knowledge on the Capital Group and its environment, obtained during the audit, we have not detected any significant misstatements in the Report on the Capital Group's Activities.

Teresa Sadowska

Key Certified Auditor No 9358

„Accord’ab” Biegli Rewidenci Spółka z o.o.

53-234 Wrocław, ul. Grabiszyńska 241

Entity entitled to carry out financial report audits No 262

Wrocław, 27 April 2017

**COMPLEMENTARY REPORT**  
**ON THE AUDIT**  
**OF THE CONSOLIDATED FINANCIAL REPORT**  
**OF THE CAPITAL GROUP, WHOSE PARENT COMPANY IS**  
**STALPRODUKT S.A.**  
**BASED IN BOCHNIA**  
**FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016**

**1. REPORT GENERAL PART****1.1. Capital Group Identification Data****1.1.1. Name of Capital Group**

Stalprodukt S.A. Capital Group

**1.1.2. Seat of the Parent Company**

ul. Wygoda 69  
32-700 Bochnia

**1.1.3. Parent Company Registration in the National Court Register**

Registration Court: District Court  
Date: October 25, 2001  
Register No: KRS 0000055209  
VAT No: 868-000-07-75  
National Statistical No REGON: 850008147

**1.1.4. Parent Company's Governing Body**

The Management Board fulfils the function of the Parent Company's managerial body.

Throughout the reporting year and by the date of issue of the present Opinion the Management Board had consisted of:

1. Mr. Piotr Janeczek – President of the Board,
2. Mr. Józef Ryszka – Member of the Board
3. Mr. Łukasz Mentel – Member of the Board (from 28 July 2016)

**1.2. Information on Companies Composing the Capital Group**

In the reporting year, the Stalprodukt Capital Group embraced the following subsidiary companies and companies consolidated at the level of ZGH "Bolesław" S.A. Additionally, the Parent Company and its subsidiaries also hold shares in the entities, over which they do not hold control, joint control or over which they do not exert significant influence, as determined pursuant to IFRS 10, IFRS11 and IAS 28.

No	Name (company) of the unit,	nature of the relation	the applied method of consolidation	percentage of capital held
1.	Stalprodukt-MB sp. z o.o.	subsidiary	full consolidation	100,00
2.	Stalprodukt-Wamech sp. z o.o.	subsidiary	full consolidation	100,00
3.	Stalprodukt-Centrostal sp. z o.o.	subsidiary	full consolidation	100,00

4.	Stalprodukt-Serwis sp. z o.o.	subsidiary	full consolidation	100,00
5.	Stalprodukt-Zamość sp. z o.o.	subsidiary	full consolidation	100,00
6.	Stalprodukt-Ochrona sp. z o.o.	subsidiary	full consolidation	100,00
7.	STP Elbud sp. z o.o.	subsidiary	full consolidation	100,00
8.	Cynk-Mal S.A.	subsidiary	full consolidation	100,00
9.	Anew Institute Sp. z o.o.	subsidiary	full consolidation	100
10.	ZGH "Bolesław" SA	subsidiary	full consolidation	94.56
11.	Bolesław Recycling Sp. z o.o.	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	100,00
12.	BOLTECH Sp. z o.o.	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	100,00
13.	Karo Sp. z o.o.	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	100,00
14.	Huta Cynku „Miasteczko Śląskie” S.A.	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	92,73
15.	Gradir Montenegro d.o.o. Niksic	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	100,00
16.	Polska Technika Zabezpieczeń Sp. z o.o.	Stalprodukt Zamość Sp. z o.o. subsidiary company	full consolidation	71,43
17.	Przedsiębiorstwo Robót Drogowych Olkusz Sp. z o.o.	Boltech Sp. z o.o. subsidiary company	full consolidation at the ZGH Capital Group's level	100,00
18.	F&R Finance Sp. z o.o.	Bolesław Recycling Sp. z o.o. subsidiary company	consolidation with equity method at the level of ZGH Bolesław Capital Group	19,68
19.	Stalprodukt- Profil S.A.	Stalprodukt S.A. subsidiary company	not applicable	16,00



20.	StalNet Sp. z o.o.	Stalprodukt S.A. subsidiary company	not applicable	19,50
21.	STP Investment S.A.	personal	not applicable	0,00

### 1.3. Information concerning the carried out audit

#### 1.3.1. Formal requirements concerning the audit

The audit of the Consolidated Financial Report was carried out in accordance with the agreement dated 5 August 2016, concluded pursuant to the Resolution of the Supervisory Board No 9/X/2016 dated 28 July 2016, concerning the selection of the auditing entity authorized to carry out the audit of the financial report.

The certified auditor of the group and the „Accord'ab” Biegli Rewidenci Spółka z o.o. company meet the requirement of independence from the audited Capital Group in the meaning of art. 56 par. 3 and 4 of the Act on Certified Auditors, their Self-Governemnt, Entities Authorized to Audit Financial Reports and on Public Supervision as of 7 May 2009 (consolidated text Journal of Laws 2016, item 1000).

#### 1.3.2. Information on the required information, explanations and statements obtained

The scope of our work was not restricted. During the audit of the Consolidated Financial Report we obtained the required information and explanations necessary to elicit the appropriate and adequate audit evidence.

On the date of issue of the present Opinion the Parent Company's Management Board made a statement on the accuracy and clarity of the Financial Report to be audited and on the non-occurrence of post-balance-sheet events that would have a significant impact on the data included in the Consolidated Financial Report for the audited year.

During the audit of the Consolidated Financial Report, the Parent Company's Management Board submitted all the required statements, explanations and information and provided us with all and any documents and information necessary for us to issue our opinion and prepare the report.

#### 1.4. Information on the Consolidated Financial Statement for the previous reporting year

The Consolidated Financial Report prepared as of 31 December 2015 in respect of the period ending on that day was audited by „Accord'ab” Biegli Rewidenci Spółka z o.o. and was awarded a Certified Auditor's Opinion without any reservations.

The Consolidated Financial Report was approved by the Parent Company's General Meeting of Shareholders on 20 June 2016.

The Consolidated Financial Report was submitted at the Registry Court on 4 July 2016.

## 2. Detailed part of the Report

### 2.1. Capital Group's assets' status and financial result

### 2.1.1. Capital Group's assets' status and financial result

ASSETS	2016-12-31 PLN THOU	% balance sheet total	2015-12-31 PLN THOU	% balance sheet total	Change %
<b>FIXED ASSETS</b>					
Intangible assets	135 157	3,6	135 652	4,1	( 0,4)
Tangible assets	1 775 628	47,7	1 736 547	52,5	2,3
Long-term receivables	686	0,0	319	0,0	115,0
Long-term investments	46 029	1,2	69 232	2,1	( 33,5)
Long-term prepayments	91 896	2,5	41 322	1,3	122,4
	<b>2 049 396</b>	<b>55,1</b>	<b>1 983 072</b>	<b>60,0</b>	<b>3,3</b>
<b>CURRENT ASSETS</b>					
Inventories	604 582	16,3	465 337	14,1	29,9
Short-term receivables	587 551	15,8	433 077	13,1	35,7
Short-term investments	451 574	12,1	403 696	12,2	11,9
Short-term prepayments	25 868	0,7	20 564	0,6	25,8
	<b>1 669 575</b>	<b>44,9</b>	<b>1 322 674</b>	<b>40,0</b>	<b>26,2</b>
<b>TOTAL ASSETS</b>	<b>3 718 971</b>	<b>100,0</b>	<b>3 305 746</b>	<b>100,0</b>	<b>12,5</b>

  

LIABILITIES	2016-12-31 PLN THOU	% balance sheet total	2015-12-31 PLN THOU	% balance sheet total	Change %
<b>EQUITY</b>					
Share capital	11 161	0,3	13 450	0,4	( 17,0)
Supplementary capital (fund)	383 479	10,3	268 443	8,1	42,9
Revaluation capital (fund)	( 169 860)	( 4,6)	69 287	2,1	( 345,2)
Other reserve capital (fund)	1 376 022	37,0	1 432 544	43,3	( 3,9)
Retained profit (loss)	( 70 397)	( 1,9)	( 38 490)	( 1,2)	82,9
Net profit (loss)	325 777	8,8	219 068	6,6	48,7
Minority capital	80 572	2,2	85 601	2,6	( 5,9)
	<b>1 936 754</b>	<b>52,1</b>	<b>2 049 903</b>	<b>62,0</b>	<b>( 5,5)</b>
<b>LIABILITIES AND PROVISIONS FOR LIABILITIES</b>					
Provisions for liabilities	325 810	8,8	306 146	9,3	6,4
Long-term liabilities	502 156	13,5	397 637	12,0	26,3
Short-term liabilities	937 956	25,2	534 850	16,2	75,4
Accruals	16 295	0,4	17 210	0,5	( 5,3)
	<b>1 782 217</b>	<b>47,9</b>	<b>1 255 843</b>	<b>38,0</b>	<b>41,9</b>
<b>TOTAL LIABILITIES</b>	<b>3 718 971</b>	<b>100,0</b>	<b>3 305 746</b>	<b>100,0</b>	<b>12,5</b>

### 2.1.2. Capital Group's financial result

	2016-12-31 PLN THOU	% of sales	2015-12-31 PLN THOU	% of sales	Change %
Net sales of products, goods and materials	3 140 935	100.0	3 131 693	100.0	0.3
Costs of sold products, goods and materials	2 507 474	79.8	2 582 617	82.5	( 2.9)
<b>Gross profit (loss) on sales</b>	<b>633 461</b>	<b>20.2</b>	<b>549 076</b>	<b>17.5</b>	<b>15.4</b>
Other operating income	34 715	1.1	24 251	0.8	43.1
Costs of sales	70 981	2.3	79 344	2.5	( 10.5)
General and administrative costs	135 787	4.3	135 093	4.3	0.5
Other operating costs	48 539	1.5	67 338	2.2	( 27.9)
<b>Profit (loss) on operating activities</b>	<b>412 869</b>	<b>13.1</b>	<b>291 552</b>	<b>9.3</b>	<b>41.6</b>
Financial income	35 318	1.1	15 813	0.5	123.3
Financial costs	23 825	0.8	20 006	0.6	19.1
Profit from share in associates	1 005	0.0	( 350)	0.0	( 387.1)
<b>Gross profit (loss)</b>	<b>425 367</b>	<b>13.5</b>	<b>287 009</b>	<b>9.2</b>	<b>4.2</b>
Income tax	80 113	2.6	59 775	1.9	34.0
<b>Net profit (loss)</b>	<b>345 254</b>	<b>11.0</b>	<b>227 234</b>	<b>7.3</b>	<b>51.9</b>

### 2.1.3. Selected financial ratios

Itemization	Unit of measure	2016	2015	2014
<b>1. Profit margin on sales of products, goods and materials</b>	%	20.17	17.53	12.61
(sales / income from sales)*100				
<b>2. Return on equity (ROE)</b>	%	17.83	11.09	5.50
(net result / equity)*100				
<b>3. Trade receivables turnover ratio</b>	number of days	55	41	42
(average trade receivables*365) / sales				
<b>4. Debt ratio</b>	%	47.92	37.99	41.27
(total liabilities - payables/ total assets) *100				
<b>5. Liquidity ratio I</b>	%	1.78	2.47	1.94
(current assets/ short-term liabilities -payables)				

## 2.2. Correctness of the applied accounting system

The Parent Company is in possession, to a significant extent, of the updated documentation characterising the Capital Group's accounting principles adopted by the Parent Company's Management Board in the extent required by the provisions of art. 10 of the Accountancy Act and consolidation documentation referred to in Chapter 6 of the Regulation on the Consolidation Rules.

While carrying out our work, we did not detect any significant accounting system inconsistencies, which would not have been removed before and which could have had a significant impact on the Consolidated Financial Report and/or our assessment concerning the correctness of the consolidation documentation contained in the Opinion in accordance with the Regulation on the Consolidation Rules and Accountancy Act.

## 2.3. Conclusions from the audit

On the basis of the carried out audit of the Consolidated Financial Report of the Stalprodukt SA Capital Group based in Bochnia, it is ascertained that:

- the Consolidated Financial Report for the reporting year 2016 was drawn up correctly, the data contained in the Financial Report stand in accordance with the respective balance and turnover figures in the accounting books,
- the Consolidated Financial Report was signed by authorized officers,
- no phenomena or events occurred confirming the infringement of the applicable law.

Teresa Sadowska, Certified Auditor No 9358

Key certified auditor carrying out the audit on behalf of  
„Accord’ab” Biegli Rewidenci Spółka z o.o  
ul. Grabiszyńska 241, 53-234 Wrocław  
Entity authorized to audit financial reports No 262.

Wrocław, April 27, 2017