

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

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District Court for Wrocław-Fabryczna, VI Economic Department KRS 0000087656

Initial capital 111.000,00 PLN, fully paid up



**CERTIFIED AUDITOR’S
OPINION AND REPORT
ON THE FINANCIAL REPORT AUDIT
OF STALPRODUKT SPÓŁKA AKCYJNA
BASED IN BOCHNIA
FOR THE FREPORTING YEAR
FROM 1 JANUARY 2015 TO 31 DECEMBER 2015**

WROCLAW – APRIL 2016

Entity authorized to audit financial reports No 262

**Independent Certified Auditor's Opinion
for the General Meeting of Shareholders and Supervisory Board
of Stalprodukt Spółka Akcyjna on the Financial Report Audit Carried out
for the Reporting Period from 1 January 2015 to 31 December 2015**

We have audited the enclosed Financial Report of Stalprodukt S.A. (hereinafter referred to as the Company) based in Bochnia ul. Wygoda 69, including:

- 1) balance sheet drawn up as of 31 December 2015, with total assets and liabilities amounting to **PLN 1 871 923 thousand**,
- 2) profit and loss account and statement of comprehensive income for the period from 1 January 2015 to 31 December 2015 showing the comprehensive income and net profit of **PLN 108 661 thousand**,
- 3) statement of changes in equity for the period from 1 January 2015 to 31 December 2015 showing an increase in equity by **PLN 6 253 thousand**,
- 4) cash flow statement for the period from 1 January 2015 to 31 December 2015, showing a decrease in cash by **PLN 18 623 thousand**,
- 5) additional information sheet on the adopted accounting principles and other explanatory information.

The Company's Management Board is responsible for preparing the Financial Report and Report on the Company's Activities in compliance with the currently applicable regulations and for the correctness of accounting books. The members of the Management Board and Supervisory Board are obligated to assure that the Financial Report and the Report on the Company's Activities shall meet the requirements provided for in the Accountancy Act as of 29 September 1994 (Accountancy Act Journal of Laws 2013, item. 330, consolidated text).

Our task was to carry out an Audit of the enclosed Financial Report and to express our opinion on its compliance, in all essential aspects, with the required accounting principles (policy) and if the same presents accurately and clearly, in all essential aspects, the Company's assets and its financial standing as well as on the Company's financial results and on the correctness of the books of accounts constituting the Audit basis.

The Audit has been carried out pursuant to the following provisions:

- 1) provisions of Chapter 7 of the Accountancy Act,
- 2) national financial audit standards issued by the National Council of Certified Auditors in Poland.

The audit of the Financial Report was planned and carried out in a way ensuring rational grounds which would enable us to express an opinion thereon. In particular, the audit consisted in checking the correctness of the accounting principles (policy) applied by Stalprodukt S.A and checking - in a mostly random inspection - of the calculation bases

underlying the figures and information items contained in the Financial Report as well as comprehensive assessment of the Financial Report. We believe that the audit provided us with sufficient grounds to express a reliable opinion thereon.

We think that the Audit provided a sufficient basis for this opinion to be issued.

In our opinion the audited Financial Report in all its essential aspects:

- a) presents accurately and clearly all the information essential for the assessment of the property and financial standing of the audited Company as of 31 December 2015, as well as its financial results for the reporting year from 1 January 2015 to 31 December 2015,
- b) has been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the European Commission regulations, and in the scope beyond of the International Accounting Standards, in compliance with the provisions of the Accountancy Act and executive orders issued on the basis thereof,
- c) is compliant, in respect of its form and content, with the legal provisions applicable to the Company and with the Company's Articles of Association.

Report on the Company's Activities for the reporting year from 1 January to 31 December 2015 is complete within the meaning of Article 49 of the Accountancy Act and the Regulation of the Minister of Finance as of 28 January 2014 on current and periodic information disclosed by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state and the information contained therein, originating from the enclosed Financial Report, are consistent therewith.

Teresa Sadowska, Certified Auditor No 9358

Key Certified Auditor carrying out the Audit on behalf of:

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

53-234 Wrocław, ul. Grabiszyńska 241

Entity authorised to audit financial reports No 262

Wrocław, this day 26 April 2016

COMPLEMENTARY REPORT TO OPINION
ON THE FINANCIAL REPORT AUDIT OF
STALPRODUKT SPÓŁKA AKCYJNA
IN BOCHNIA
FOR THE FISCAL YEAR
FROM 1 JANUARY 2015 TO 31 DECEMBER 2015

I. REPORT GENERAL PART**1. Audited Company Identification data****1.1 Company's Name**

Stalprodukt Spółka Akcyjna

Company's Seat

32-700 Bochnia, ul. Wygoda 69

Record in the National Court Register

Registration Court: District Court of Krakow for Krakow-Śródmieście, 12th Economic
Department of the Court Register

Date: 25 October 2001

Record No: KRS 0000055209

VAT No: 868-000-07-75

National Statistical Number REGON: 850008147

1.2 Object of Company's Activities

The principal object of the audited Company's activities is manufacture of flat cold-rolled products according to the Polish Classification of Activities PKD PKD 2432Z.

1.3 Ownership Structure and Associated Companies

As of 31.12.2015 r. the shareholders entitled to above 5 % of votes at the General Meeting of Shareholders:

- a) ArcelorMittal Poland S.A. holding 1 914 376 shares, accounting for 28.47 % of capital share and 5 064 680 votes, accounting for 28.26 % of the total number of votes at the General Meeting of Shareholders.
- b) STP Investment S.A. holding 1 949 985 shares, accounting for 29.00 % of capital share and 5 891 241 votes, accounting for 32.87 % of the total number of votes at the General Meeting of Shareholders.
- c) Stalprodukt-Profil S.A., holding 609 217 shares, accounting for 9.06 % of capital share and 976 109 votes, accounting for 5.45 % of the total number of votes at the General Meeting of Shareholders.

According to the report's publication day's status, the Shareholders holding above 5% of votes at the General Meeting of Shareholders were:

- a) ArcelorMittal Poland S.A. holding 1 564 572 shares, accounting for 23.27 % of capital share and 3 315 660 votes, accounting for 18.50 % of the total number of votes at the General Meeting of Shareholders.
- b) STP Investment S.A. holding 1 949 985 shares, accounting for 29.00 % of capital share and 5 891 241 votes, accounting for 32.87 % of the total number of votes at the General Meeting of Shareholders.
- c) Stalprodukt-Profil S.A., holding 609 217 shares, accounting for 9.06 % of capital share and 976 109 votes, accounting for 5.45 % of the total number of votes at the General Meeting of Shareholders.

On 17 November 2015, the Extraordinary Meeting of Shareholders adopted a resolution on the Company's purchase of its own shares with a view to redemption. The maximum number of shares to be possibly purchased by the Company within the Program is 1 075 000 items. The purchase price per share is PLN 250. The purchase covers registered preference shares of A, B and E series. The value of the Program enlarged by the purchasing costs amounts to PLN 270 000 thousand. The purchases may take place in the period not longer than within 10 June 2016. By the date of issue hereof tender invitations were furthered in respect of three tranches to be carried out: on 20 November 2015, on 27 January 2016 and on 31 March 2016. Within the 1st and 2nd tranche the Company acquired 716 800 of its own shares at the value of PLN 179 200 thousand. Before the clearing of the above mentioned tranches, the Company jointly held 69 778 shares with its subsidiary company. After the clearing the Company holds the total of 786 578 shares, accounting for 21.94 % at the General Meeting of Shareholders. The clearing of the 3rd tranche will take place on 28 April 2016, i.e. after the present report has been approved for publication.

As of the end of the reporting period, the audited Company is a parent company for:

- Stalprodukt-MB Sp. z o.o.,
- Stalprodukt-Wamech Sp. z o.o.,
- Stalprodukt Centostal- Kraków Sp. z o.o.,
- Stalprodukt- Serwis Sp. z o.o.,
- Stalprodukt-Zamość Sp. z o.o.,
- Stalprodukt-Ochrona Sp. z o.o.,
- STP Elbud Sp. z o.o.,
- Cynk-Mal S.A.,
- ZGH "Bolesław" S.A.
- Anew Institute Sp. z o.o.

1.4. Company's Governing Body

The Company's governing body is the Management Board.

As of 31 December 2015, the Management Board consisted of:

- Mr. Piotr Janeczek – President of the Board,
- Mr. Józef Ryszka – Member of the Board.

1.5 Employment

In 2015, the average employment reached the level of 1550 employees and 1513 employees in 2014 as well.

2. Identification Data of the Key Certified Auditor and Company Authorized to Auditing Financial Reports

2.1 Key Certified Auditor's Identification Data

Name and surname: Teresa Sadowska
Register No: 9358

2.2 Identification Data of the Company Authorized to Audit the Financial Report

Company: „Accord”ab Biegli Rewidenci Spółka z ograniczoną odpowiedzialnością
[Accord ab Certified Auditors Limited Liability Company]
Seat: 53-234 Wrocław, ul. Grabiszyńska 241
Register No: 0000087656
District Court: for Wrocław Fabryczna 6th Economic Department of National Court Register
VAT No: 899-000-70-79
Initial Capital 120,000.00

“Accord”ab Biegli Rewidenci Spółka z o.o. is registered as a company No 262 - authorized to carry out financial report audits.

The financial report audit was carried out on the basis of the contract as of June 30, 2015, concluded pursuant to the Resolution of the Supervisory Board as of June 30, 2015 concerning selection of the company authorized to carry out the financial report audit.

The financial report audit was carried out during the months: January, March, April 2016.

Both the authorized auditing company and its key certified auditor fulfill the requirement of independence from the audited Company as construed in Art. 56 par. 3 and 4 of the Act as of May 7, 2009 on Certified Auditors, their Self-Government, Entities Authorized to Audit Financial Reports and on Public Supervision (Journal of Laws No 77, item 649).

3. Information on the Financial Report for the Previous Reporting Year

The Financial Report for 2014 was audited by the company: “Accord”ab Biegli Rewidenci Spółka z o.o. based in Wrocław, and approved without any reservations.

The Financial Report was approved on 30 June 2015 by the General Meeting of Shareholders, which, by means of the Resolution No XXX/13/2015, took a decision on the distribution of profit for the reporting year 2014, as follows:

- bonus for the Shareholders in the amount of PLN 13,310.5 thousand,
- bonus for the Board in the amount of PLN 162.9 thousand,
- bonus for the Supervisory Board in the amount of PLN 190.1 thousand,
- reserve capital in the amount of PLN 13,487.4 thousand.

The Financial Report for 2014 was submitted with the Registration Court on July 10, 2015.

4. Scope of Work and Liability

The present report has been prepared for the General Meeting of Shareholders of Stalprodukt S.A. – company based in Bochnia, 69 Wygoda Street [ul. Wygoda 69]. Pursuant to the decision of the General Meeting of Shareholders as of June 30, 2005, the audited company prepares its financial reports in compliance with the International Financial Reporting Standards, approved by the European Union.

We have carried out the audit of the Financial Report pursuant to Chapter 7 of the Accountancy Act, national accounting standards issued by the Polish Council of Certified Auditors and International Standards on Auditing.

The Company's Management Board is responsible for the correctness of the accounting books as well as preparation and accurate presentation of the Company's stand-alone Financial Report in compliance with the International Financial Reporting Standards, approved by the European Union, and other regulations applicable to issuers of securities admitted to public trading and official stock exchange quotations as well as other applicable regulations, and for the preparation of the Report on the Company's Activities.

Our task was to express our opinion on the Financial Report on the basis of the carried out audit and prepare a complementary report in reference to the Financial Report concerned and the correctness of the accounting books underlying it.

On the day this report was issued, the Company's Management Board made a statement on the accuracy and clarity of the audited Financial Report and on non-occurrence of events that might have significantly affected the data disclosed in the Financial Report for the audited year.

During the Financial Report audit, the Company's Management Board submitted all the requested statements, explanations and information and furnished us with all the documents and information necessary for us to express our opinion and prepare the report. The scope of the work planned and performed has not been limited in any way.

The basis for the opening balance as of January 1, 2015, was the closing balance drawn up as of December 31, 2014.

II. ECONOMIC AND FINANCIAL ANALYSIS

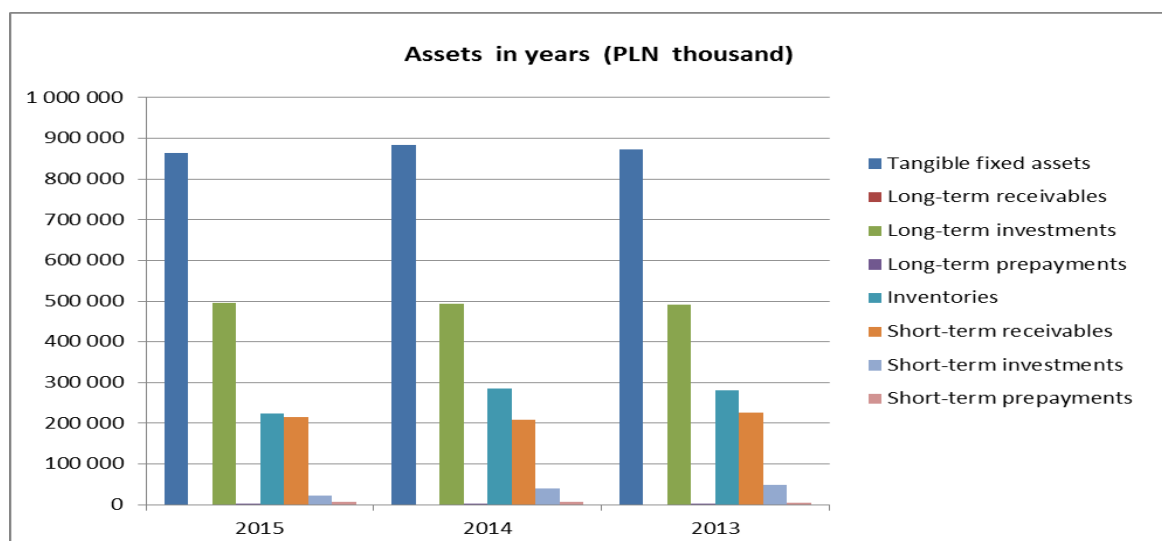
The Company's economic and financial analysis was carried out on the basis of the results achieved in the years 2013 – 2015.

Balance Sheet Analysis

Assets, figures (PLN thou) rounded to the nearest hundred:

No	Specification	2015		2014		2013		changes			
		PLN thou.	percentage share	PLN thou.	percentage share	PLN thou.	percentage share	PLN thou.	%	PLN thou.	%
								2015/2014		2015/2013	
1	2	3	4	5	6	7	8	9	10	11	12
A.	Fixed assets	1 404 663	75,0	1 398 855	72,2	1 382 901	71,2	5 808	100,4	(2 787 564)	101,6
I.	Intangible fixed assets	43 137	2,3	20 040	1,0	18 191	0,9	23 097	215,3	24 946	237,1
II.	Tangible fixed assets	863 910	46,2	882 839	45,6	872 706	44,9	(18 929)	97,9	(8 796)	99,0
III.	Long-term receivables										
1.	from related entities										
IV.	Long-term investments	495 647	26,5	494 275	25,5	491 178	25,3	1 372	100,3	4 469	100,9
a)	receivables from related entities	395 535	21,1	390 241	20,1	378 729	19,5	5 294	101,4	16 806	104,4
V.	Long-term prepayments	1 969	0,1	1 701	0,1	826	0,0	268	115,8	1 143	238,4
B.	Current assets	467 260	25,0	539 069	27,8	558 897	28,8	(71 809)	86,7	(91 637)	83,6
I.	Inventories	224 308	12,0	285 082	14,7	280 361	14,4	(60 774)	78,7	(56 053)	80,0
II.	Short-term receivables	214 444	11,5	208 429	10,8	225 543	11,6	6 015	102,9	(11 099)	95,1
1.	from related entities	62 180	3,3	80 956	4,2	81 029	4,2	(18 776)	76,8	(18 849)	76,7
III.	Short-term investments	21 513	1,1	39 280	2,0	47 859	2,5	(17 767)	54,8	(26 346)	45,0
a)	receivables from related entities	1 856	0,1	1 000	0,1	10 110	0,5	856	185,6	(8 254)	18,4
IV.	Short-term prepayments	6 995	0,4	6 278	0,3	5 134	0,3	717	111,4	1 861	136,2
Total assets		1 871 923	100,0	1 937 924	100,0	1 941 798	100,0	(66 001)	96,6	(69 875)	96,4

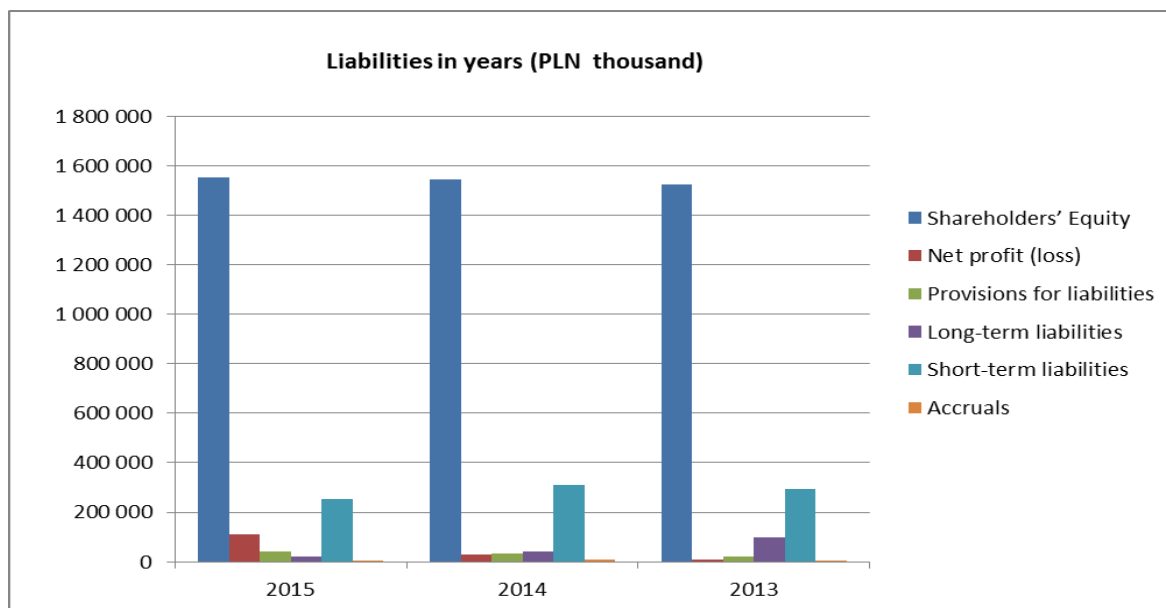
The assets are presented in a graphic form as follows:



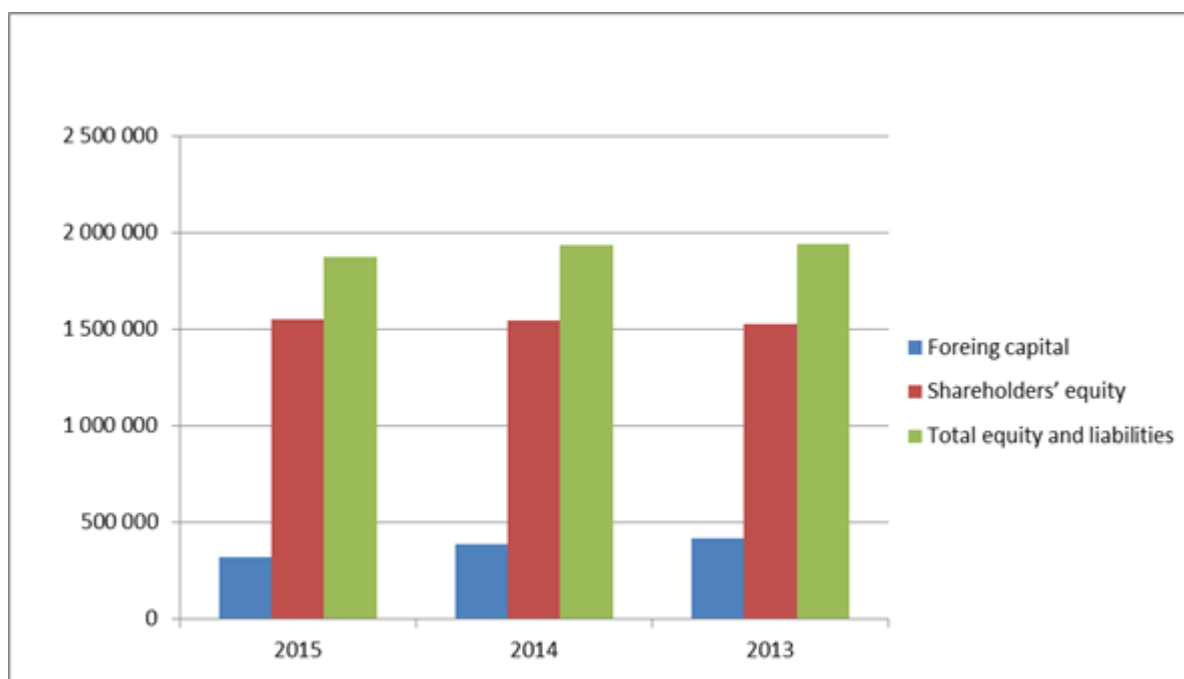
Liabilities, figures (PLN thou) rounded to the nearest hundred:

No	Specification	2015		2014		2013		changes			
		PLN thou.	percentage share	PLN thou.	percentage share	PLN thou.	percentage share	PLN thou.	%	PLN thou.	%
								2015/2014		2015/2013	
1	2	3	4	3	4	5	6	9	10	11	12
A.	Shareholders' Equity	1 554 115	83,0	1 547 861,5	79,9	1 524 852,9	78,5	6 253	100,4	29 262	101,9
I.	Share capital	13 450	0,7	13 450,0	0,7	13 450,0	0,7		100,0		100,0
II.	Called up share capital not paid (negative figure)										
III.	Own shares (stakes) (negative value)			(139,5)	(0,0)	(139,5)	(0,0)				
IV.	Reserve capital	104 184	5,6	104 183,7	5,4	104 183,7	5,4		100,0		100,0
V.	Reserve capital from revaluation	3 166	0,2	3 166,6	0,2	3 166,6	0,2		100,0		100,0
VI.	Other reserve capital	1 324 654	70,8	1 400 049,8	72,2	1 394 253,8	71,8	(75 396)	94,6	(69 600)	95,0
VII.	Retained earnings (losses)										
VIII.	Net profit (loss)	108 661	5,8	27 150,9	1,4	9 938,3	0,5	81 510	400,2	98 723	1 093,4
IX.	Net profit write-offs throughout the reporting year (negative figure)										
B.	Liabilities and provisions for liabilities	317 808	17,0	390 062,5	20,1	416 944,8	21,5	(72 254)	81,5	(99 137)	76,2
I.	Provisions for liabilities	39 530	2,1	31 606,7	1,6	21 503,9	1,1	7 924	125,1	18 026	183,8
II.	Long-term liabilities	20 000	1,1	40 000,0	2,1	100 000,0	5,1	(20 000)	50,0	(80 000)	20,0
1.	To related entities					40 000,0	2,1				
III.	Short-term liabilities	253 054	13,5	310 441,8	16,0	295 355,2	15,2	(57 388)	81,5	(42 301)	85,7
1.	To related entities	10 254	0,5	14 553,0	0,8	17 074,9	0,9	(4 299)	70,5	(6 821)	60,1
IV.	Accruals	5 224	0,3	8 014,0	0,4	85,8	0,0	(2 790)	65,2	5 138	6074,4
	Total Liabilities	1 871 923	100,0	1 937 924,0	100,0	1 941 797,7	100,0	(66 001)	96,6	(69 875)	96,4

The liabilities are presented in a graphic form as follows:



The assets and the liabilities are presented in a graphic form as follows:



In accordance with the above data arising from the analytical balance sheet, the status of the audited entity is affected by the following aspects:

- a) fixed assets account for 75.0% of the entity's total assets, with tangible fixed assets constituting the biggest share, accounting for 46.2 % of the total assets;

- b) at the same time there is an observable decrease of the balance sheet value of tangible fixed assets, which recorded in the years (2013-2015) amounts to PLN 8 796 thousand;

It has resulted from the investment outlays expended on the renewal of the fixed assets and progressing ageing of the fixed assets. The present, accruing value of the assets' depreciation, as the measure of their consumption, amounts to 28% of their initial value. In 2015, the amount of PLN 47 273 thousand was expended for the modernization and purchase of new fixed assets.

- c) in the current assets section a decrease by PLN 71 809 thousand was recorded, mainly including:
- as 31.12.2015, a significant decrease of cash by PLN 18 623 thousand occurred in relation to the previous year,
 - increase of short-term receivables by 2.9% in relation to the previous year
 - the inventories share in the current assets reached the level of 48.0 %.
- e) in the balance sheet liabilities section an increase by PLN 29 262 thousand (1.9%) draws attention, concerning the equity amounts recorded over a 3-year period. In connection with the above, as of the balance sheet day, the equity share in financing the entity's assets reached the level of 83.0% in relation to the total assets, which has a beneficial impact on the financial stability of the audited entity;
- f) share capital did not undergo any changes during the years under analysis;
- g) the biggest figure within equity (85.2%) is reserve capital;
- h) short-term payables decreased by 18.5% in relation to 2014 and by 14.3% in relation to 2013, mainly due to the incurred credits.

2. Comprehensive income statement (PLN thou) rounded to the nearest hundred:

No	Specification	2015		2014		2013		changes			
		PLN thou.	percentage share	PLN thou.	percentage share	PLN thou.	percentage share	PLN thou.	%	PLN thou.	%
								2015/2014		2015/2013	
1	2	3	4	5	6	7	8	9	10	11	12
A. Basic activities											
1.	Net sales of products, goods and materials	1 347 626	99,3	1 275 168,2	99,0	1 248 495,3	99,1	72 458	105,7	99 131	107,9
2.	Costs of products, goods and materials sold	1 194 280	97,7	1 232 361,7	98,4	1 233 026,9	99,1	(38 081)	96,9	(38 747)	96,9
3.	Profit (loss) on sales	153 346,0		42 806,6		15 468,3		110 539,0	358,2	137 878,0	991,4
B. Other operating activities											
1.	Other operating incomes	6 019	0,4	6 404,9	0,5	4 211,1	0,3	(386)	94,0	1 808	142,9
2.	Other operating costs	12 577	1,0	11 649,8	0,9	4 969,4	0,4	927	108,0	7 608	253,1
3.	Operating result	(6 558)		(5 245,0)		(758,3)		(1 313)	125,0	(5 800)	865,2
C.	Operating profit (loss) (A3+B3)	146 788		37 561,6		14 710,0		109 226	390,8	132 078	997,9
D. Financing activities											
1.	Financial incomes	3 855	0,3	5 993,2	0,5	7 371,7	0,6	(2 138)	64,3	(3 517)	52,3
2.	Financial costs	16 115	1,3	7 922,2	0,6	5 915,8	0,5	8 193	203,4	10 199	272,4
3.	Financial result	(12 260)		(1 929,0)		1 455,9		(10 331)	635,6	(13 716)	(842,2)
E. Extraordinary result											
1.	Extraordinary gains										
2.	Extraordinary loss										
3.	Result from extraordinary events										
F.	Profit (loss) before taxation (C+D3+E3)	134 528		35 632,5		16 165,9		98 895	377,5	118 362	832,2
1.	Income tax	25 867		8 481,7		6 227,7		17 385	305,0	19 639	415,3
G.	Total obligatory charges	25 867		8 481,7		6 227,7				19 639	
	Net profit (loss) (F-G)	108 661		27 150,9		9 938,3		81 510	400,2	98 723	1 093,4

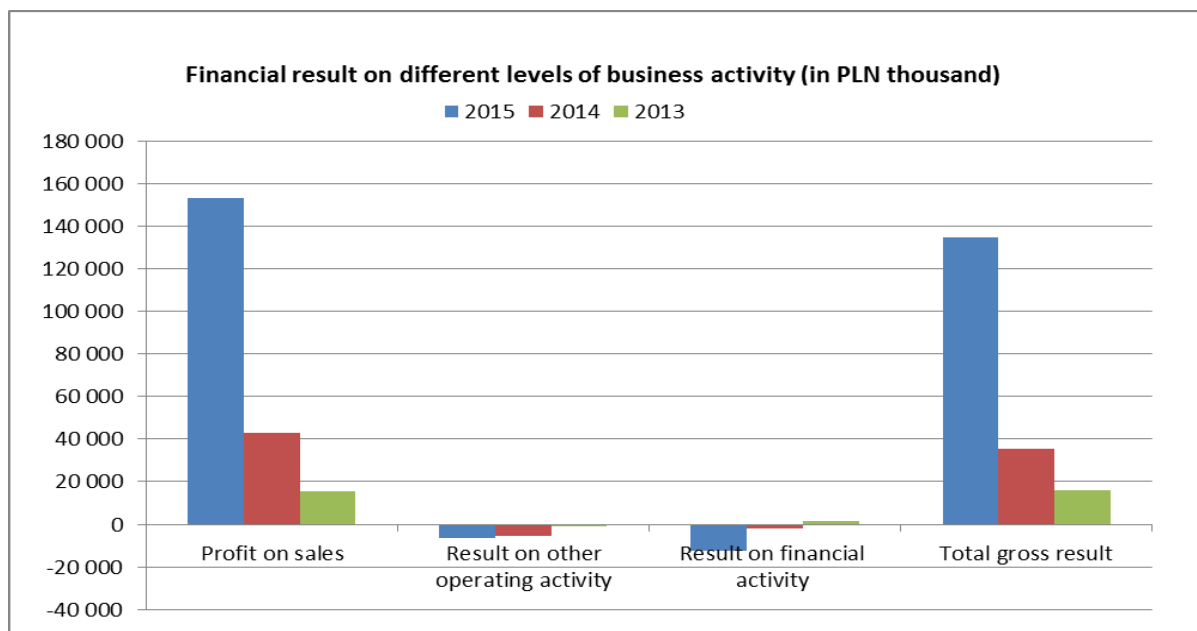
Total income	1 357 500	100,0	1 287 566,3	100,0	1 260 078,0	100,0	69 934	105,4	97 422	107,7
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Total costs	1 22 972	100,0	1 251 933,7	100,0	1 243 912,1	100,0	(28 961)	97,7	(20 940)	98,3
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The comprehensive income statement shows a positive financial result amounting to net PLN 108 661 thousand in the reporting year, while the generated net profit in relation to:

- total assets accounts for 5.8%,
- total income accounts for 8.0% (net profit margin),
- own capital employed accounts for 7.0%.

The shares of particular elements of profit and loss account, affecting the financial result, are presented in the graph underneath:



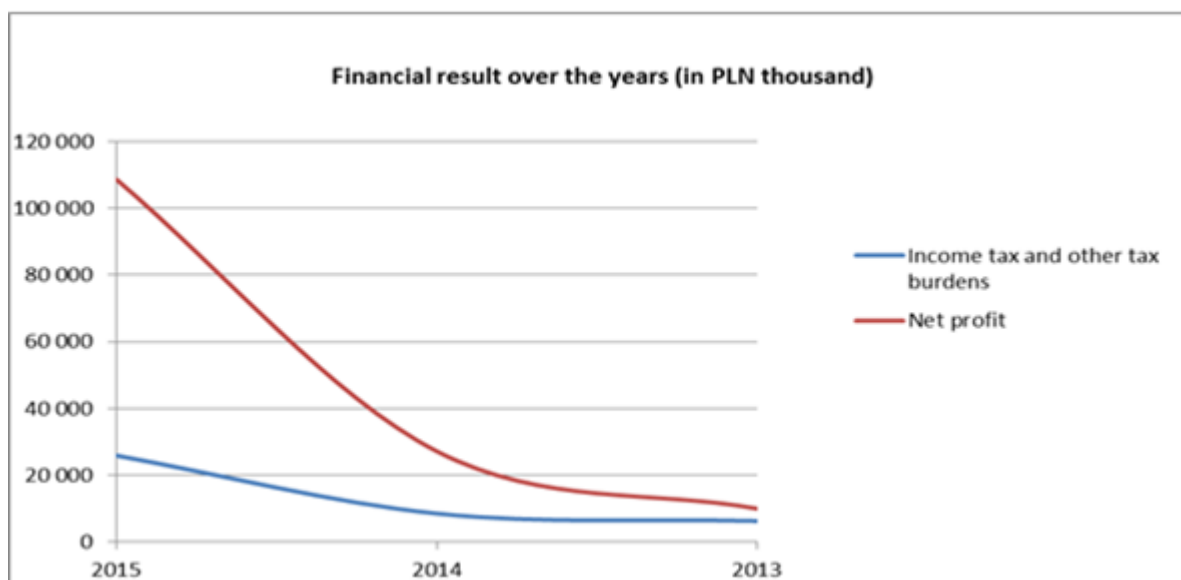
The analysis of the comprehensive income statement points to the increase of the income from sales by PLN 72 458 thousand, which resulted in the increase of the sales result by 258.2%, compared to the previous year.

Other operating income was decreased by 6%, whereas other operating costs were increased by 8% in relation to the previous year.

In the financial activity segment the entity suffered a loss amounting to PLN (12 260) thousand.

The referenced changes resulted in the net result reaching the level of PLN 108 661 thousand, i.e. a result higher by PLN 81 510 thousand.

The net financial result as recorded at the turn of the years is as follows:



3. Ratio Analysis

▪ Profitability Ratios

II.	Profitability Ratios	safe ratio	Unit of measure	2015	2014	2013
5	Return on Assets (ROA)	5-8	Per cent	5.80	1.40	0.51
	<u>Net Financial Result x 100</u>					
	Total Assets					
6	Net Profit Margin	3-8	Per cent	8.06	2.13	0.79
	<u>Net Financial Result x 100</u>					
	Total Income					
7	Return on Equity (ROE)	15-25	Per cent	6.99	1.75	0.65
	<u>Net Financial Result x 100</u>					
	Equity Figures					
	<i>Positive result - positive effect Negative result – effect of "financial bludgeon"</i>					
10	Return on Investments	-	Per cent	8.64	2.43	0.98
	<u>Gross Profit from Long-Term Debt x 100</u>					
	Equity Figures + Long-Term Payables					

3.2 Financial Liquidity Ratios

III.	Financial Liquidity Ratios	Safe ratio	Unit of measure	2015	2014	2013
12	Cash Ratio	1.2 – 2.0	multiplicity	1.86	1.74	1.88
	<u>Current Assets – Trade Payables above 12 months</u>					
	Short-term Payables – Short-Term Payables above 12 months					
13	Quick Ratio	1.0	multiplicity	0.93	0.80	0.92
	<u>Current Assets. - Inventories- Short-Term Prepayments – Trade Receivables above 12 months</u>					
	Short-Term Payables. - Trade Payables above 12 months					
14	Current Ratio	0.1-0.2	multiplicity	0.09	0.12	0.16
	<u>Short-Term Investments</u>					
	Short-Term Investments – Trade Payables above 12 months					
15	Receivables to Payables Ratio	1.0	multiplicity	1.25	0.93	0.84
	<u>Trade Receivables</u>					
	Trade Payables					

The comparison of the above ratios with the desired Current Ratio, which is a relation between the Company's Current Assets and its Short-Term Payables – does not indicate any interruptions affecting the on-time settlement of due payables by the audited entity. Also the Receivables to Payables Ratio within the bracket 1.0 indicates that the payables towards the suppliers are practically covered by the receivables due from the recipients.

3.3 Turnover Ratios

IV.	Turnover Ratios	safe ratio	Unit of measure	2015	2014	2013
16	Inventory Turnover Rate (in days) <u>Average Inventories x 365 days</u> Net sales of products, goods and materials	Decreasing ratio	In days	69	81	77
17	Inflow of Receivables (in days) <u>Average trade receivables x 365 days</u> Net sales of products, goods and materials	Number of days comparable to item 18	w dniach	52	60	71
18	Settlement of Payables (in days) <u>Average Trade Payables x 365 dni</u> Net sales of products, goods and materials	Number of days comparable to item 17	w dniach	49	65	75
19	Assets Turnover <u>Net sales of products, goods and materials</u> Total assets	2.0	zł / zł	0.72	0.66	0.64

The liquidity of the Current Assets is affected by the Receivables and Inventories turnover rates. The Receivables Turnover in days is lower compared to the years 2014,2013. The comparison between the Receivables and Payables turnover rates (expressed in days) indicates that an optimal balance is retained between the turnover days in respect of the Receivables and Payables concerned.

The analysis of the Inventory Turnover Rate expressed in days indicates that in 2015, an average duration of a single inventory turnover cycle was shortened compared to the previous year. The Inventory Turnover Rate decreased from 81 days in 2014 to 69 days in 2015.

3.4. Discussing the Remaining Ratios

I.	Preliminary Balance Sheet Analysis	safe ratio	unit of measure	2015	2014	2013
1	Golden Balance Sheet Rule <u>(Equity + Long-Term Reserves) x 100</u> Fixed Assets	100-150	Per cent	113.39	112.74	111.73
1a	Golden Balance Sheet Rule II <u>Short-term Borrowed Capital x 100</u> Current Assets	40-80	Per cent	54.16	57.59	53.08
2	Golden Finance Rule <u>Equity x 100</u> Borrowed Capital	powyżej 100	Per cent	489.01	396.82	365.72
3	Entity's Balance Sheet Goodwill Total Assets – Total Liabilities	increase ratio	PLN thou	1 554 115	1 547 861.5	1 524 852.9
4	Fixed Assets to Total Assets Ratio <u>Fixed Assets x 100</u> Total Assets	30-50	Per cent	75.04	72.18	71.22

The attention is drawn to the „Golden Balance Sheet Rule” as the ratio higher than 100 indicates the correct financing of the Assets with Equity. This helps to keep the entity's financial balance, which is also confirmed

by the „Golden Finance Rule” as the entity's Liabilities (payables) do not exceed 50% of its Equity, i.e. they do not result in the entity's financial weakening.

C. REPORT DETAILED PART

1. Assessment of the Applied Accounting System Correctness

The Company is in possession of updated documentation related to the accounting principles (policy) applied thereby. The solutions adopted by the Company stand in accordance with the Accountancy Act, International Financial Reporting Standards and enable data gathering for the purpose of financial report preparation and tax settlements.

The accounting books are computer-recorded with the IFS data recording system.

During the audit of the Company's stand-alone Financial Report we performed a random inspection of the operating correctness of the applied accounting system.

During the conducted works we did not detect any major irregularities concerning the accounting system, which would not have been removed, and which might have been crucial for the audited stand-alone Financial Report. The goal of our audit was to express a comprehensive opinion on the operations of the applied accounting system.

The software applied ensures full verifiability of the procedures applied and the results processed with the accounting documents and requirements as construed in the Accounting Act provisions.

The accounting principles adopted by the Company are adequate to the character of the activities pursued and ensure a complete documentation of sales and costs, clearing processes and settlements and balances. The accounting books fulfill the requirements provided for in art. 13 of the Accountancy Act.

The economic operations are documented in a complete and lucid manner. The review of the accounting evidentiary documents allows for a statement that the same were correctly issued, sufficiently described and properly linked to the book entries as well as properly archived and secured. The ordinal numbers assigned to the documents concerned enable linking them to the accounting books entries.

The documents underlying the book entries were subject to formal, accounting and substantive inspection conducted by authorized authorities. The fact of the inspection concerned was officially confirmed on the documents. The audit results of the accounting books and underlying evidentiary documents allow for the recognition of the same as compliant with the requirements of accuracy and verifiability.

2. Inventory of Company's Assets

The Company performed the inventory of assets within the scope and at time stipulated in art. 26 of the Accountancy Act. The inventory-based differences were included and settled in the accounting books of the period concerned.

3. Introduction, Additional Information and Explanations to the Financial Report

The data included in the introduction, additional information and explanations have been presented correctly and completely in all essential aspects.

The introduction, additional information and explanations constitute an integral part of the Financial Report.

4. Management Board's Report on Company's Activities

The Report on Company's Activities covers, in all essential aspects, information referred to in art. 49 par. 2 of the Accountancy Act and the Regulation of the Minister of Finance as of February 19, 2009 on current and periodic information disclosed by issuers of securities and equivalence conditions for information disclosures required by the legal provisions of non-member states (Journal of Laws as of 2009, No 33, item 259 with subsequent amendments) and stand in accordance with the information contained in the Company's stand-alone Financial Report.

5. Information on the Certified Auditor's Opinion

On the basis of the audit of the Company's stand-alone Financial Report, drawn up as of December 31, 2014 and in respect of the period closed on the day concerned we have issued an opinion without reservations.

Teresa Sadowska, Certified Auditor No 9358

Key certified auditor carrying out the audit on behalf of
„Accord'ab” Biegli Rewidenci Spółka z o.o./ *Certified Auditors - limited liability company*
ul. Grabiszyńska 241, 53-234 Wrocław
Entity authorized to audit financial reports No 262.

Wrocław, April 28, 2015