Stalprodukt S.A.

Financial Statement of Stalprodukt S.A. for Year 2015

Prepared in compliance with the International Financial Reporting Standards (IFRS) approved by the European Union

Bochnia, April 2016

Selected financial data

SELECTED FINANCIAL DATA	thousands of PLN		thousands of EUR	
	2015	2014	2015	2014
I. Net sales of products, goods and materials	1 347 626	1 275 168	322 029	304 387
II. Operating profit (loss)	146 788	37 562	35 076	8 966
III. Profit (loss) before taxation	134 528	35 633	32 147	8 506
IV. Net profit (loss)	108 661	27 151	25 966	6 481
V. Net cash flow from operating activities	190 484	57 894	45 518	13 819
VI. Net cash flow from investment activities	-58 295	-49 594	-13 930	-11 838
VII. Net cash flow from financial activities	-150 812	-7 769	-36 038	-1 854
VIII. Total net cash flow	-18 623	531	-4 450	127
IX. Total assets	1 871 923	1 937 924	439 264	454 666
X. Liabilities and provisions for liabilities	317 808	390 062	74 577	91 514
XI. Long-term liabilities	20 000	40 000	4 693	9 385
XII. Short-term liabilities	253 054	310 442	59 381	72 834
XIII. Shareholders' equity	1 554 115	1 547 862	364 687	363 152
XIV. Share capital	13 450	13 450	3 156	3 156
XV. Number of shares	6 725 000	6 725 000	6 725 000	6 725 000
XVI. Profit (loss) per ordinary share (PLN)	17,26	4,08	4,12	0,97
Diluted profit (loss) per ordinary share (PLN)				
XVII. Book value per share (PLN)	231,10	230,17	54,23	54,00
Diluted book value per share (PLN)				
XVIII. Declared or paid-out dividend for one share in (PLN/EUR)	2,00	0,60	0,48	0,14

1. Average exchange rates of zloty in NBP during the periods covered by the financial report and comparable financial data in relation to the Euro amounted to:
   a) rate of exchange at end of 2015 and 2014, 4.2615 and 4.2623 respectively
   b) the average rate, calculated as the arithmetical average of the exchange rates valid on the last day of each month of the year 2015 and 2014, 4.1848 and 4.1893 respectively
   c) the lowest rate for 2015 and 2014, 3.9822 and 4.0998 respectively
   d) the highest rate in 2015 and 2014, 4.3580 and 4.3138 respectively.

2. Basic items of the balance sheet, profit and loss account and cash flow statement were converted into Euro and presented in selected financial data.
For conversion of currency in PLN into Euros, the following rates of EUR were used, according to the following rules:
- items of assets and liabilities were converted into Euros according to the average exchange rate announced by the NBP as at 31.12.2015 and amounting to 4.2615 and 4.2623 as at 31.12.2014. (section 1a)
- items of profit and loss account and cash flows statement were converted into Euros according to the average rate which is an arithmetic average of average EUR rates announced by the NBP on the last day of each month covered by the report and amounting to 4.1848 for the year 2015 and 4.1893 for the year 2014. (section 1b)

3. For profit-per-share calculation the number of 6,296,867 shares was adopted. In accordance with IAS, 33, 428,133 own shares purchased by the Issuer were excluded from the calculation.

4. In item XVIII the dividend-per-share level was presented, as disbursed by the Issuer in 2015 in respect of 2014.

Bochnia, 26 April 2016

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Józef Ryszka	Piotr Janeczek
Member of the Board –Marketing Director	President of the Board – Chief Executive Officer

BALANCE SHEET	Notes	thousands of PLN	
		2015	2014
Assets			
I. Fixed assets		**1 404 663**	**1 398 855**
1. Intangible fixed assets, including	1	43 137	20 040
- right of perpetual land use		36 080	19 694
2. Tangible fixed assets	2	863 910	882 839
3. Long-term receivables	3		
4. Long-term investments	4	495 647	494 275
4.1. Real estate investments		99 993	103 915
4.2. Intangible assets			
4.3. Long-term financial assets		395 654	390 360
4.4. Other long-term investments			
5. Long-term prepayments		1 969	1 701
5.1. Deferred income tax assets	5	1 969	1 701
5.2. Other prepayments			
II. Current assets		**467 260**	**539 069**
1. Inventories	6	224 308	285 082
2. Short-term receivables	7	214 444	208 429
- including trade receivables in excess of 1 year		1 752	2 318
3. Short-term investments		21 513	39 280
3.1. Short-term financial assets	8	21 513	39 280
a) loans		1 000	1 000
b) short-term securities		856	
c) cash and cash equivalents		19 657	38 280
3.2. Other short-term investments			
4. Short-term prepayments	9	6 995	6 278
Total assets		**1 871 923**	**1 937 924**
Liabilities and Shareholder's Equity			
I. Shareholders' Equity		**1 554 115**	**1 547 862**
1. Share capital	10	13 450	13 450
2. Own shares (stakes) (negative value)			-139
3. Reserve capital	11	104 184	104 184
4. Reserve capital from revaluation	12	3 166	3 166
5. Other reserve capital	13	1 324 654	1 400 050
6. Retained earnings (losses)			
7. Net profit (loss)		108 661	27 151
II. Liabilities and provisions for liabilities		**317 808**	**390 062**
1. Provisions for liabilities	14	39 530	31 606
1.1. Provision for deferred income tax		33 439	24 400
1.2. Other provisions		6 091	7 206
a) long-term		5 201	4 789
b) short-term		890	2 417
2. Long-term liabilities	15	20 000	40 000

2.1. Long-term credits and loans		20 000	40 000
2.2. Other long-term liabilities			
3. Short-term liabilities	16	253 054	310 442
3.1. Short-term credits and loans		37 406	61 315
3.2. Current part of long-term credits and loans		20 000	20 000
3.3. Trade liabilities		155 608	205 862
- including trade receivables in excess of 1 year		2 547	2 077
3.4. Income tax liabilities		14 876	
3.5. Other short-term liabilities		25 164	23 265
4. Accruals	17	5 224	8 014
Total liabilities		**1 871 923**	**1 937 924**

Book value		**1 554 115**	**1 547 862**
Number of shares		**6 725 000**	**6 725 000**
Book value per share (PLN)	**18**	**231,10**	**230,17**
Diluted number of shares			
Diluted book value per share (PLN)			

Bochnia, 26 April 2016

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Józef Ryszka
Member of the Board –Marketing Director

Piotr Janeczek
President of the Board – Chief Executive Officer

PROFIT AND LOSS ACCOUNT	Notes	thousands of PLN	
		2015	2014
I. Net sales of products, goods and materials, including:		**1 347 626**	**1 275 168**
1. Net sales of products	19	1 300 819	1 217 534
2. Net sales of goods and materials	20	46 807	57 634
II. Costs of products, goods and materials sold, including:		**1 117 433**	**1 160 279**
1. Production cost of products sold	21	1 068 059	1 101 698
2. Value of goods and materials sold		49 374	58 581
III. Gross profit (loss) on sales		**230 193**	**114 889**
IV. Selling costs		37 579	35 652
V. General and administrative costs		39 268	36 430
VI. Profit (loss) on sales		**153 346**	**42 807**
VII. Other operating incomes	22	6 019	6 405
VIII. Other operating costs	23	12 577	11 650
IX. Operating profit (loss)		**146 788**	**37 562**
X. Financial incomes	24	3 855	5 993
XI. Financial costs	25	16 115	7 922
XII. Profit (loss) before taxation		**134 528**	**35 633**
XIII. Income tax	26	25 867	8 482
XIV. Net profit (loss)	27	**108 661**	**27 151**

Net profit (loss)		**108 661**	**27 151**
Weighted average number of ordinary shares		6 725 000	6 725 000
The weighted average number of ordinary shares adjusted against own shares		6 296 867	6 655 267
Profit (loss) per ordinary share (PLN)	28	17,26	4,08

TOTAL COMPREHENSIVE INCOME	thousand x PLN		
	Notes	2015	2014
Net result		108 661	27 151
Differences from evaluation			
Total Comprehensive Income		**108 661**	**27 151**

Bochnia, 26 April 2016

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Józef Ryszka — Member of the Board – Marketing Director

Piotr Janeczek — President of the Board – Chief Executive Office

Statement of changes in equity for the period from 1st January to 31st December 2015 and 2014	thousands of PLN							
	Share capital	Own shares	Supplementary capital	Revaluation reserve	Other reserve capital	Retained profits	Current year net profit	Equity TOTAL
As of 1.01.2015 (opening balance)	**13 450**	**-139**	**104 184**	**3 166**	**1 400 050**	**27 151**		**1 547 862**
Profit distribution					13 487	-13 487		**0**
Transfer to short-term investments		139						**139**
Securing the purchase of own shares from reserve capital					-88 883			**-88 883**
Dividend						-13 664		**-13 664**
Total comprehensive income for period 1.01 - 31.12.2015							108 661	**108 661**
As of 31.12.2015 (closing balance)	**13 450**	**0**	**104 184**	**3 166**	**1 324 654**	**0**	**108 661**	**1 554 115**
As of 1.01.2014 (opening balance)	**13 450**	**-139**	**104 184**	**3 166**	**1 394 254**	**9 938**		**1 524 853**
Profit distribution					5 796	-5 796		**0**
Intercapital transfer								**0**
Dividend						-4 142		**-4 142**
Total comprehensive income for period 1.01 - 31.12.2014							27 151	**27 151**
Balance on this 31.12.2014 (closing balance)	**13 450**	**-139**	**104 184**	**3 166**	**1 400 050**	**0**	**27 151**	**1 547 862**

Bochnia, 26 April 2016

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Józef Ryszka
Member of the Board – Marketing Director

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Piotr Janeczek
President of the Board – Chief Executive Officer

CASH FLOW STATEMENT	thousands of PLN	
	2015	2014
A. Cash flow from operating activities – indirect method		
I. Net profit (loss)	**108 661**	**27 151**
II. Total adjustments	**81 823**	**30 743**
1. Depreciation	47 064	44 989
2. (Profit) loss from exchange rate fluctuations		
3. Interest and profit share (dividends)	1 337	1 968
4. (Profit) loss on investment activities	-2 802	1 608
5. Change in reserves	7 923	10 103
6. Change in inventories	60 774	-4 721
7. Change in receivables	-6 015	17 114
8. Change in short-term liabilities except for loans and credits	-33 479	-46 228
9. Change in accruals	-3 776	5 910
10. Other adjustments	10 797	
III. Net cash flow from operating activities	**190 484**	**57 894**
B. Cash flow from investment activities		
I. Inflows	**6 516**	**3 237**
1. Sales of intangible and tangible fixed assets	3 213	264
2. Sales of real estate properties and intangible assets		
3. From financial assets, including:	3 302	2 973
- financial assets sold		
- dividends and profit share received		
- repayments of long-term loans granted		
- interest received	2 302	2 973
- other inflows from financial assets	1 000	
4 . Other investment inflows		
II. Outflows	**-64 811**	**-52 831**
1. Purchase of intangible and tangible fixed assets	-47 721	-47 829
2. Real estate property and intangible assets		
3. To financial assets, including:	-17 090	-5 002
- financial assets purchased	-17 090	-5 002
- long-term loans granted		
4. Other investment outflows		
III. Net cash flow from investment activities	**-58 295**	**-49 594**
C. Cash flow from financial activities		
I. Inflows		61 315
1. Net inflows from issue of shares, other capital instruments or capital receipts		
2. Credits and loans		61 315
3. Issue of debentures		
4. Other financial inflows		
II. Outflows	**-150 812**	**-69 084**
1. Purchase of own shares	-89 600	

2. Dividends and other dues paid to shareholders	-13 663	-4 142
3. Outflows from profit distribution, other than dues paid to shareholders		
4. Credits and loans repaid	-43 909	-20 000
5. Redemption of debentures		
6. From other financial liabilities		-40 000
7. Contractual payments of financial lease dues		
8. Interest paid	-3 640	-4 942
9. Other financial outflows		
III. Net cash flow from financial activities	**-150 812**	**-7 769**
D. Total net cash flow	**-18 623**	**531**
E. Balance sheet change in cash	**-18 623**	**531**
F. Cash (beginning of period)	**38 280**	**37 749**
G. Cash (end of period)	**19 657**	**38 280**

Bochnia, 26 April 2016

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Cash at beginning of the reporting period represent the amount of PLN 38,280 thousand, including cash at hand PLN 109 thousand, on bank accounts PLN 38,171 thousand, and at the end of the reporting period PLN 19,657 thousand, including PLN 102 thousand cash at hand and PLN 19,555 thousand on bank accounts.

Operating activities consist of the basic (main) activities of the Company, i.e. production, trade and service and other not classified as investing or financing activities. Net cash from operating activities is a revised financial result of the Company.

The Company's investment activity is related to acquisition and sale of tangible fixed assets of a financial and proprietary nature (fixed assets, intangible assets, shares and stocks).

The Company’s financial activities consist of acquisition and use of equity and foreign capital, including the short and long term credits.

Additional Information on the adopted accounting principles (policy) and other explanatory information

1. General information

Company's identification data

Name:	**Stalprodukt S.A.**
Legal form:	**Joint Stock Company**
Seat:	**Bochnia, Wygoda 69**
Country of Registration:	**Poland**
Registering Agency:	**District Court for Kraków-Śródmieście, National Court Register (KRS) No 0000055209**
Basic object of activities:	**Production of flat cold rolled sheets Polish Classification of Economic Activities (PKD) No 2432Z**

Stalprodukt SA was established on 01.07.1991, in the process of restructuring of Tadeusz Sendzimir Steelworks (now the Branch of ArcelorMittal Poland S.A.), using an innovative path of privatization. The Company started its operations on 01.07.1992, with a 60-percent participation of employees and a 40-percent participation of Tadeusz Sendzimir Steelworks in Krakow. Upon the commencement of business the Company acquired against consideration of HTS materials, inventory, work in progress and finished goods, and equipment and intangible assets of the former Metallurgical Processing Plant HTS. In 1995-1996, the Company purchased all the assets leased from Tadeusz Sendzimir Steelworks, including the right of perpetual usufruct of land, buildings, structures, machinery and equipment.

The Company's shares were introduced into public trading and the stock exchange. They are listed on the Warsaw Stock Exchange since 06.08.1997.

The Company is the manufacturer of highly processed steel products such transformer sheets and strips, cold formed profiles and tubes, hot and cold rolled sheets and strips, road safety barriers and toroidal cores. The production plants are located in Bochnia, Krakow and Tarnow. Significant part of the production goes to export markets, mainly to EU countries.

The sales of products are pursued directly by the Company and by the national sales network with departments localized all over the country, managed by the subsidiary company Stalprodukt-Centrostal Kraków Sp. z o.o. based in Bochnia.

Internal organizational units (subsidiaries) which prepare independent financial reports are not included in the Company's enterprize. Stalprodukt S.A. is the Parent Company and prepares a consolidated financial report.

The Company is established for an unlimited time.

The consolidated financial statements are presented for the year 2015, and comparable financial data for the year 2014.

Composition of Management Board's and Supervisory Board

In the period from 1 January 2015 to 31 December 2015, the Stalprodukt Management Board was composed of:

Piotr Janeczek - President of the Board

Józef Ryszka - Member of the Board

In the period from 1 January 2015 to 31 December 2015, the Stalprodukt Supervisory Board was composed of:

Stanisław Kurnik - Chairman of the Supervisory Board

Maria Sierpińska - Vice-Chairman of the Supervisory Board

Kazimierz Szydłowski - Secretary

Janusz Bodek - Member

Sanjay Samaddar - Member

Tomasz Plaskura - Member

Tomasz Ślęzak - Member

Certified Auditor

„Accord'ab" Biegli Rewidenci Sp. z o.o.

Ul. Grabiszyńska 241

53-234 Wrocław

Banks

Bank Pekao S.A.

Bank Handlowy w Warszawie S.A.

PKO Bank Polski S.A.

BNP Paribas Bank Polska S.A.

Societe Generale S.A. Oddział w Polsce

Listing on the regulated market

The Company's shares are traded on the Warsaw Stock Exchange from 06.08.1997 r.

Significant Shareholders

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

- 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.

- 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.

- 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.

Own shares

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 tranch 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 tranch will take place on 28 April 2016, i.e. after the present report has been approved for publication.

Subsidiary

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, indicating its legal form	Seat	Object of the enterprise	nature of the relation (subsidiary, interdependent unit, associate, with specification of direct and indirect relations)	the applied method of consolidation/ equity valuation method, or indication that the unit is not subject to consolidation/ equity valuation method	date of take- over of control/ joint control/ obtaining a significant impact	percentage of capital held	share of the total number of votes at a general meeting
1.	Stalprodukt-MB sp. z o.o.	Bochnia	construction and maintenance of roads and highways	subsidiary	full consolidation	17.10.1997	100	100
2.	Stalprodukt-Wamech sp. z o.o.	Bochnia	production of spare parts and repair services	subsidiary	full consolidation	05.12.1997	100	100
3.	Stalprodukt-Centrostal sp. z o.o.	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997	100	100
4.	Stalprodukt-Serwis sp. z o.o.	Bochnia	services of installation, repair and maintenance of machinery	subsidiary	full consolidation	29.12.1998	100	100
5.	Stalprodukt-Zamość sp. z o.o.	Zamość	woodwork production and trade of metallurgical products	subsidiary	full consolidation	09.12.1997	100	100
6.	Stalprodukt-Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000	100	100
7.	STP Elbud sp. z o.o.	Kraków	manufacture of structures and galvanizing services	subsidiary	full consolidation	01.06.2005	100	100
8.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008	51	51
9.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	100	100
10.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	94.45	94.45
11.	Bolesław Recycyling Sp. z o.o.	Bukowno	metal waste and scrap management	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	01.03.2004	100,00	100,00
12.	BOLTECH Sp. z o.o.	Bukowno	heat supplies, alterations/ repair services, production of zinc product dolomite aggregate zinc products, transport- & equipment- related services.	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	01.03.2004	100,00	100,00
13.	Karo Sp. z o.o.	Bukowno	Investigative, detective and security-related activities	ZGH "Bolesław" S.A. subsidiary compnany	full consolidation at the level of ZGH Capital Group	01.03.2004	100,00	100,00
14.	Huta Cynku Miasteczko Śląskie S.A.	Miasteczko Śląskie	production and sales of zinc, lead and alloys of these metals	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	29.09.2010	92,73	92,73

15.	Gradir Montenegro d.o.o. Niksic	Novaka Ramowa	zinc and lead mining and production of metal concentrates	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	11.07.2011	100,00	100,00
16.	Polska Technika Zabezpieczeń Sp z.o.o.	Warszaw a	distribution of construction woodwork	Stalprodukt Zamość Sp. z o.o. subsidiary company	full consolidation	31.12.2015	71,43	71,43
17.	Przedsiębiorstwo Robót Drogowych Olkusz Sp. z o.o.	Olkusz	road construction and repairs.	Boltech Sp. z o.o. subsidiary company	full consolidation at the ZGH Capital Group's level	01.09.2010	100,00	100,00
18.	F&R Finance Sp. z o.o.	Myślenice, Jawornik	financial activity	Bolesław Recycling Sp. z o.o. subsidiary company	consolidation with equity method at the level of ZGH Bolesław Capital Group	23.04.2014	49,00	49,00

2. Compliance with the International Financial Reporting Standards

From January 1, 2005 Stalprodukt SA, The Issuer of securities, admitted to public trading in accordance with the Accounting Act dated 29 September 1994 (uniform text of Polish Journal of Laws Dz.U. of 2009, No. 152, item. 1223, as amended) and pursuant to the Resolution of AGM dated 30 June 2005, draws up the individual financial statements in accordance with IAS/IFRS, adopted by the European Union and related interpretations published in the form of regulations of the European Commission. The Group applied MSSF1 "the application of the international financial reporting standards for the first time" in the Annual Report for the year ended 31 December 2005. Date of transition to IFRS was 1 January 2004.

These consolidated financial statements have been drawn up in all material respects in accordance with IAS/IFRS, and in the scope not regulated by these standards, as required by the Act of 29 September 1994 on Accounting (Polish Journal of Laws Dz.U. of 2009, No. 152, item 1223, as amended) and in accordance with the requirements specified in the Regulation of the Minister of Finance dated 19 February 2009 on current and periodic information disclosed by issuers of securities and the conditions for recognition as equivalent the information required by the laws of a non-member state (Polish Journal of Laws Dz.U. of 2009, No. 33, item 259). The presented financial statements and comparable financial data include recommendations given by an entity authorized to audit.

Assumptions for the Continuation of Economic Activities

The Report was prepared with the assumption that the Company's economic activities would be continued and no circumstances indicate that such activities are threatened. As of the report signing day, the Company's Management Board does not record any facts or circumstances which would indicate a threat to the continuation of the economic activities to be pursued by the Issuer in the 12-month period following the balance-sheet day.

Functional and Presentation Currency

The currency in use, as the basic currency of the economic environment in which the Company operates is the Polish zloty. This currency is also the currency used in the consolidated financial statements.

3. *Applicable accounting rules (policy)*

Since 01.01.2005, the Company has been applying the accounting rules (policy), including methods of valuation of assets and liabilities, as well as revenues and expenses, determining the financial result and drawing up financial statements in accordance with IFRS, adopted by the European Union, and in matters not governed by IFRS, pursuant to the Polish Accounting Act.

To ensure a clear and full understanding of these consolidated financial statements, there are presented below the basic principles of valuation of assets and liabilities, determination of financial result and other accounting policies adopted in the Company.

Fixed assets

a) as of the date of transition to international standards, in accordance with MSSF1 "the application of International Financial Reporting Standards for the first time", the Company adopted a valuation of previously used tangible fixed assets at fair value and decided to use this value as expected (implied) cost as of this day. Revaluations were made in-house with technical staff, based on their technical and market knowledge, taking into account the previous lifetime of the assets, the degree of wear and tear, made improvements, modernization and repairs. The following lifetimes and depreciation rates were adopted for the tangible fixed assets used in the Company prior to the date of transition to IFRS: buildings 20 years (5%), structures 10 years (10%), boilers 5 years (20%), machinery and equipment for general use 5 years (20%), metallurgical machinery and equipment 10 years (10%) and other technical equipment 5 years (20%).

b) Difference (surplus) due to the initial revaluation was applied to equity as retained earnings.

c) items of tangible fixed assets, qualified as assets, initially (at time of adoption for use) are measured at cost or production cost.

The initial value of tangible fixed assets comprises their purchase price or production cost plus any costs directly related to the purchase and adaptation of the asset to a state suitable for production use.

The initial value of fixed assets is increased by the value of the expenditures on their improvement (reconstruction, development, reconstruction, modernization).

d) after the initial recognition of items of tangible fixed assets as assets, they are disclosed on the balance sheet by the cost model, i.e. the purchase price or production cost less the amount of accumulated depreciation and any accumulated impairment losses. Decrease in amortization does not apply to own land, for which there is no amortization write-offs.

e) each of the components of tangible fixed assets, purchase price or production cost of which is significant when compared to the purchase price or production cost of the whole item, and the expected lifetime of which differs significantly from the expected lifetime of the whole item, is depreciated separately.

f) assets of the unit initial value up to PLN 3,500 are depreciated once, writing their value off as costs when transferring such assets to use.

g) other fixed assets or their separate and significant components are depreciated with a straight-line method based on rates estimated based on the expected period of use, taking into account the residual value, if the amount is significant. The residual value is the estimated amount that an entity has obtained from the sale of an asset, after deducting the estimated costs of disposal if the asset was as old and in such condition as expected at the end of its lifetime. There were no significant residual values identified for previously used fixed assets.

The Groups adopts the lifetime of new investments in the form of machinery and equipment 10 - 20 years.

Depreciation rates are reviewed annually for compliance with the economic lifetime of fixed assets. The residual value of fixed assets is also subject to verification.

h) fixed assets under construction are valued in the amount of total costs directly arising in connection with their acquisition or construction, less any impairment losses. Assets under construction are not depreciated until the completion of their construction and putting into use.

I) overhaul costs of fixed assets are capitalized and amortized in equal periods of repair cycles. Maintenance costs of fixed assets and their maintenance affect the result of the financial period in which they are incurred.

j) intangible assets are recognized if it is probable that they will ensure the Company the benefit in the future, which can be directly related to those assets.

They are shown at acquisition or production cost less accumulated amortization and the total amount of any impairment losses. They are amortized with a straight-line method over a period of use, which should be determined reliably. Intangible assets with an indefinite lifetime are not amortized but tested for impairment. The lifetime of intangible assets is subject to verification on the balance sheet date.

The expenses incurred for the acquisition of perpetual usufruct of land are classified by the Company as intangible assets because the title concerned, alike land, does not lose in value and is valid for an indefinite period of time. It is not subject to depreciation or redemption either.

k) if there are any indications of possible loss in value of tangible fixed assets and intangible assets, an impairment test shall be carried out and the determined revaluation write-offs shall reduce the balance sheet value of an asset, to which they refer, and they shall be included in the profit and loss account. The amount of revaluation write-offs is determined as the excess of the balance sheet value of these items over their recoverable value. The recoverable value is the higher of the following values: net selling price or value in use measured by generated cash flows of a given asset or cash-generating unit, discounted to the present value using a discount rate, which reflects current market prices of the money value over time and the risks of a given asset.

The amounts recognized as revaluation write-offs are reversed if the reasons for their creation cease to appear. The effects of such reversal are recognized in the profit or loss account as other operating income.

l) long-term loans and receivables are measured by the adjusted purchase price (amortized cost) with the use of the effective interest method, observing the principle of materiality.

The realized gains and losses arising from changes in value are recognized in the profit or loss account in the period in which they arose.

m) investment real properties (leased fixed assets) are valued in the same manner as fixed assets by the cost model, i.e. the purchase price or production cost less the amount of accumulated depreciation (amortization) and accumulated impairment losses.

n) long-term financial assets (shares) are valued at purchase prices less their impairment losses.

Current assets

a) inventories - are valued according to the actual purchase prices or production costs, not higher than their net realization values (net selling prices). Net realization value is the estimated selling price in the ordinary course of business, less estimated costs to complete the inventory item and the costs necessary to make the sale.

Total disbursements are measured by the prices of these items, which were acquired as first (FIFO principle "first in - first out").

Cost of producing finished goods and work in progress includes the cost of direct materials, labour and other costs, as well as the appropriate mark-up of indirect production costs determined on the assumption of normal capacity utilization, excluding borrowing costs.

The production costs do not include costs:

- arising from the unused production capacity and production losses,

- of general management, not associated with developing the product to a form and place in which it is found at the valuation date.

Any write-offs of inventories to net realizable value and all losses of inventories are recognized as operating costs of the period in which the write-off or loss occurred. If the circumstances, which led to the reduction of inventories, cease to prevail or if there is clear evidence of increase in net realization value, the amount of previously made write-off shall be restored (reversal of write-off). The amount corresponding to the restored value of inventories due to higher net realization value, is recognized as a reduction in inventory costs recognized in the profit and loss account in the period in which the value was restored.

The Company keeps a record of material values and quantities. It is allowed to recognize the purchase of materials as costs without keeping the record of values and quantities provided that such materials will be transmitted to use immediately after purchase.

Spare parts for machinery and equipment of long-term lifetime are disclosed in the balance sheet under tangible fixed assets.

b) short-term debts and claims for supplies and services - are recognized according to the amounts originally invoiced including write-offs for bad debt charged to other operating costs.

Denominated in foreign currency receivables are valued on the balance sheet date according to the average rate for that day, for the valuation are assumed the rates of the bank in which the Company has the largest turnover of foreign exchange. While transactions in foreign currencies are valued at the rate of immediate execution at the transaction date. The foreign exchange differences resulting from the valuation are recognized in the profit and loss account, in the period in which they arise (revenues/expenses).

According to the accepted principles (policy), the Company creates revaluation write-offs to:

- national debts not paid within 6 months, and the export receivables of more than 9 months,
- disputed receivables and receivables related to the liquidation and bankruptcy proceedings, as well as arrangements and compositions,
- interest on receivables, accrued but not paid.

c) cash and cash equivalents include cash at bank and in hand, short-term deposits and other instruments with a high degree of liquidity. They are valued at their nominal value. Denominated in foreign currency cash is valued on the balance sheet date at the closing rate, which is the immediate exchange rate. Resulting foreign exchange differences are classified as financial income or expense.

Equity

Equity of the Company includes: share capital, capital reserve, supplementary capital, revaluation reserve, retained earnings from previous years and the result of the current period. All capital is valued at nominal value. The value of own shares is deducted from equity.

a) Share capital is included in the amount specified in the contract or statute, and entered in the court register. Declared but not paid capital is recognized as a called-up capital. Share capital represents ordinary bearer shares and privileged registered shares.

b) Capital is created in the Parent Company obligatorily (by the operation of law) and is intended to cover any lack of share capital. Pursuant to the Commercial Companies Code, the Company must allocate at least 8% of annual net profits to the capital reserve until it reaches one third of the share capital.

c) The capital reserve is increased by surpluses while the shares are issued above their nominal value and the difference from the revaluation of fixed assets that were liquidated or sold. In addition, the capital reserve was increased in 2005 due to the revaluation of fixed assets to fair value at the date of transition to IFRS, as retained earnings.

d) The revaluation reserve includes the differences from the revaluation of fixed assets, land and perpetual usufruct of land, except the value resulting from the revaluation as of the date of transition to IFRS, which was disclosed in the capital reserve as retained earnings. In the case of disposition or liquidation of an asset, the relevant part of revaluation reserve is transferred to the capital reserve. A write-off due to the impairment of fixed assets that had previously been subject to the revaluation reduces the revaluation reserve to the amount of the reserve, which refers to such fixed assets.

e) Other supplementary capital is created from profit, the distribution of which is determined by the General Meeting of Shareholders. These serve to finance investments and current assets, and cover potential losses. Their use is determined by the General Meeting of Shareholders.

Liabilities

a) Bank credits, loans and other financial liabilities (leasing) are disclosed at amortized cost (corrected purchase price) with an effective interest rate method, observing the principle of materiality. Interest cost is allocated to the respective periods and disclosed in the profit and loss account.

b) Short-term trade liabilities are recognized according to the amounts originally invoiced. Liabilities denominated in foreign currencies are valued at the rate of the immediate implementation (exchange), which is the closing price on the balance sheet date. The resulting exchange differences are disclosed in the financial income or expense in the profit and loss account.

Provisions

Provisions are created when there is:

- an obligation (legal or constructive) on the balance sheet date resulting from past events,

- a probability that funds shall have to be spent,

- a possibility of making a reliable estimate calculation.

According to the accepted principles (policy), the Company creates provisions for:

- temporary income tax differences resulting from the fact that the moment when income was recognised as gained or cost as incurred was different, pursuant to the accounting law and tax regulations,

- employee benefits (retirement),

- other provisions for the expected or probable losses from business operations having a significant influence on earnings, observing the principle of materiality.

a) Provision for income taxes is created using the liability method for all temporary differences existing on the balance sheet date between the tax bases of assets and liabilities and their balance sheet amounts shown in the financial statements. Provision for deferred tax is created in relation to temporary gains, and deferred tax assets are recognized in relation to temporary losses.

In terms of depreciation, the provision (assets) for the differences between the tax and balance sheet depreciation is created for the last reporting period.

The balance sheet value of assets due to the deferred tax is reviewed on the balance sheet date and reduced as appropriate, if gaining the taxable income sufficient to realize the asset due to the deferred income tax is no longer probable. The difference between the balance of provisions and deferred tax assets at the end and the beginning of financial year affects the financial result or equity if the provisions and assets relate to operations settled directly with equity.

b) Provision for retirement benefits is determined with the actuarial method, and its amount depends on the previous period of employment specifying the degree of benefit development and the rotation rate of employment, the likelihood of payment and the discount rate. Provisions for employee benefits are accounted for on the balance sheet date, ending the financial year.

c) Pre-payments and accruals. Group makes prepayments, if they relate to future reporting periods. Accrued expenses payable are made in the amount of probable liabilities attributable to the current reporting period.

Profit and loss account

a) revenues from sales includes the fair value of revenues from sales of products, goods and services, net of tax on goods and services.

Revenues are recognized in two major categories:

- sale of products (including services),

- sale of goods and materials.

Revenues are recognized in the amount in which it is probable that the Company shall gain the economic benefits associated with the transaction and the amount of revenue can be measured reliably.

b) cost of products and services sold, goods and materials include costs directly related to their production or purchase.

Own cost is presented as broken down into two basic categories:

- cost of products sold (including services),

- value of goods and materials sold.

Cost of sales includes the costs of trade and the costs of representation and advertising. General and administrative costs include costs associated with managing the unit and the costs of administration and representation.

c) moreover, the financial result is also influenced by:

- other operating income and operating expenses indirectly related to the activities in such areas as gains and losses on disposal of non-financial fixed assets, revaluation of non-financial assets, the creation and termination of provisions for future risks, penalties, fines and compensation, receipt or transfer of donations,

- financial income from dividends (profit sharing), interest, gains on disposal of investments, revaluation of investments, surplus from foreign exchange benefits over foreign exchange losses,

- the financial costs of interest, loss on disposal of investments, revaluation of investments, the surplus of foreign exchange losses on the positive

- mandatory financial burden as a result of income tax.

The balances of : realized exchange differences arising from positive and negative settlements, revaluation of receivables and provisions, provisions for employee benefits are reconciled against the costs of the products sold or value of goods and materials sold as presented in the profit and loss account.

d) a write-off (provision) in a full amount is created according to the accruals principle, observing the precautionary principle, for interest income. Interest received according to the cash principle is disclosed in the profit and loss account.

e) operating expenses are recorded in the period to which they relate.

Borrowing costs directly related to the acquisition or construction of assets that require a longer period of time in order to be fit for use or resale, are added to the manufacturing costs of such assets until the hand-over of these assets to use.

All other borrowing costs are disclosed directly in the profit and loss account in the period in which they are incurred. (IAS 23).

f) income tax disclosed in the profit and loss account includes some current and deferred tax. Current tax is the tax liability in respect of taxable income for the given financial year, determined using tax rates applicable on the balance sheet date and tax adjustments for previous years. Deferred tax is described under par. 1.6.

g) there was adopted the principle of cost grouping by type in the accounts under group 4 and settling them by type of activity under group 5. The Company uses and reports the calculation variant of the profit and loss account.

Leasing

Fixed assets used under financial leasing agreements, which transfer to the Company substantially all benefits and risks associated with the possession of assets, are disclosed in the balance sheet by the cost model, as all the components of tangible assets. Lease payments are allocated between finance charges and reduction of the outstanding liability. Financial expenses are accounted for directly in the profit and loss account. Fixed assets used under financial leasing are depreciated over their lifetime. Leasing agreements, under which all the risks and benefits are borne by the lessor, are classified as operating leasing agreements. Cost of leasing payments are related linearly in the profit and loss account during the contract period.

Negative goodwill

According to IFRS No. 3, negative goodwill at the time of its creation is once written off in revenues. Negative goodwill which arose before the date of transition to IFRS, was removed from the balance sheet and written off in full in the undistributed profit from previous years, thus increasing equity. Negative goodwill arising after the date of 01.01.2004 is referred directly to the profit and loss account (increased financial results).

Professional opinion, estimates and assumptions.

While drawing up the consolidated financial statements in conformity with IFRS, the Management Board has the obligation to express its professional opinion, prepare estimates and assumptions that affect the adopted rules and presented values of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and other factors, which are considered reasonable in the circumstances, and their results provide the basis to express professional opinion as to the balance sheet amounts of assets and liabilities, which do not result directly from other sources. Actual results may differ from the estimate. The estimates and associated assumptions are subject to ongoing review. Changes in accounting estimates are recognized in the period in which they were made.

Key assumptions and estimates in the process of applying the rules (policies) concerning the balance sheet amounts are:

a) revaluation write-offs of receivables,

b) revaluation write-offs of inventories,

c) provisions for retirement,

d) assets and deferred tax liabilities,

e) periods of depreciation of fixed assets,

f) fixed assets impairment write-off .

According to our knowledge, there is no significant risk of adjustments to the balance sheet amounts of assets and liabilities within the next financial year in connection with the estimates made.

4. Changes of the applicable accounting rules (policies)

The accounting principles applied in the preparation of the present Report are coherent with the ones applied for the preparation of the Financial Report for the year ended on 31 December 2014, except for the application of the following changes in the standards and new interpretations published by the International Accounting Standards Board and approved by the European Union, applicable for the annual periods starting on or after 1 January 2015:

• Amendments to various standards "IFRS – Annual Improvements (2011-2013 cycle)" – introduced procedural changes concerning the introduction of annual amendments to IFRS (IFRS 3, IFRS 13 and IAS 40) mainly focused on solving inconsistencies and disambiguating terminology – approved by the EU on 18 December 2014 (applicable for the annual periods starting on or after 1 January 2015),

• Interpretation IFRIC 21 ”Levies” – approved by the EU on 13 June 2014 (applicable for the annual periods starting on or after 17 June 2014).

The above standards, interpretations and amendments to standards have not significantly affected the company's accounting policy pursued so far or the presentation of its financial reports.

Standards and interpretations which have already been published, but which have not become effective yet.

Preparing the present financial report, the Company did not apply the following standards, revisions and interpretations, which had been published by IASB, approved for use by the EU, but had not taken effect yet:

• Amendments to IFRS 11 ”Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations – approved by the EU on 24 November 2015 (applicable for the annual periods starting on or after 1 January 2016)

• Amendements to IAS 1 ”Presentation of Finacial Statements” – Initiative Concerning Disclosures – approved by the EU on 18 December 2015 (applicable for the annual periods starting on or after 1 January 2016)

• Amendments to IAS 16 ”Property, Plan and Equipment” and IAS 38 ”Intangible Assets” – Clarification of Acceptable Methods of Depreciation and Amortization – approved by the EU on 2 December 2015 (applicable for the annual periods starting on or after 1 January 2016)

• Amendments to IAS 16 ”Property, Plan and Equipment” and IAS 41 Intangible Assets ”Agriculture” – Plants – approved by the EU on 23 November 2015 (applicable for het annual periods starting on or after 1 January 2016)

• Amendments to IAS 19 “Employee Benefits” – Defined Benefit Plans: Employee Contributions – approved in the EU on 17 December 2014 (applicable for the annual periods starting on or after 1 February 2015),

• Amendments to IAS 27 ”Presentation of Financial Statements” – Equity Method for Individual Financial Statements – approved by the EU on 18 December 2015 (applicable for the annual periods starting on or after 1 January 2016)

• Amendments to various standards „Improvements of IFRS (cycle 2010-2012)” – amendments made under the annual improvements introduced into IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) mainly focused on solving inconsistencies and clarification of terminology – approved by the EU on 17 December 2014 (applicable for the annual periods starting on or after 1 February 2015)

• Amendments to various standards „Improvements of IFRS (cycle 2012-2014)” – amendments made under the annual improvements introduced into IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) mainly focused on solving inconsistencies and clarification of terminology – approved by the EU on 15 December 2015 (applicable for the annual periods starting on or after 1 January 2016)

The entity decided not to take the opprtunity of early application of the standards, revisions of the standards and their interpretations. In accordance with the estimates made by the Company, the standards, interpretations and revised standards above would have no significant influence on the Financial Statements, had they been applied by the Company as of the balance-sheet date.

Standards and Interpretations approved by the International Accounting Standards Board, but not approved for the application in the EU.

The IFRS in the form approved by the EU do not significantly differ from the provisions adopted by the International Accounting Standards Board (IASB), except for the undermentioned standards, amendments to standards and interpretations, which have not been approved for application in the EU as of the Financial Report publication day:

• IFRS 9 “Financial Instruments” (applicable for the annual periods starting on or after 1 January 2018),

• IFRS 14 “Regulatory Deferral Accounts” (applicable for the annual periods starting on or after 1 January 2016) – the European Commission decided not to start the approval process for this temporary standard for the EU area until the issuance of the final version of IFRS 14;

• IFRS 15 “Revenue from Contracts with Customers” and further amendments (applicable for the annual periods starting on or after 1 January 2018);

• IFRS 16 ”Leasing”– applicable for het annual periods starting on or after 1 January 2019:

• Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures ” – investment units: application of the consolidation exemption (applicable for the annual periods starting on or after 1 January 2016);

• Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sales or Contributions of Assets between an Investor and its Associate/Joint Venture and further amendments (effective date postponed until the completion of research works concerning the equity rights method);

• Amendments to IAS 7 “Presentation of Financial Statements” – Disclosure Initiative (applicable for the annual periods starting on or after 1 January 2017);

• Amendments to IAS 12 “Income Tax” – Recognition of Deferred Income Tax Assets on Unrealized Losses (applicable for the annual periods starting on or after 1 January 2017).

At the same time, in addition to the provisions adopted by the EU, there still remains hedge accounting for the portfolio of financial assets and liabilities, whose underlying principles have not yet been approved for use in the EU.

3. Notes

NOTE 1a - INTANGIBLE ASSETS	thousands of PLN	
	2015	2014
1. concessions, patents, licenses and similar	854	346
a) computer software	597	21
2. right of perpetual land use	36 080	19 694
Intangible assets, total	43 137	20 040

1b NOTE - Changes of intangible assets (by group type)							
thousands of PLN							
	a	b	c		d	e	
	cost of completed developmental works	goodwill	concessions, patents, licenses and similar values, including:		other intangible assets	advance payments for intangible assets	Intangible assets, total
				- computer software			
I. gross value of intangible assets at the beginning of the period			4 299	778		19 694	23 993
1. increase (due to)			801	777	**6 203**	16 386	23 390
- purchase			801	777	**6 203**	16 386	23 390
- value from valuation survey							
2. decrease (due to)			333	315			333
- liquidation			333	315			333
- sales							
II. gross value of intangible assets at the end of the period			4 767	1 240	**6 203**	36 080	47 050
1. accumulated depreciation (amortization), at the beginning of the period			3 953	757			3 953
2. depreciation for the period (due to)			-40	-114			-40
- depreciation allocated to the costs			293	201			293
- decrease due to liquidation			333	315			333
III. accumulated depreciation (amortization) at the end of the period			3 913	643			3 913
1. charges for permanent loss of value at the beginning of the period							
2. write-offs for permanent loss of value at the end of the period							
IV. net value of intangible assets at the end of the period			854	597	**6 203**	36 080	43 137

NOTE 2a - TANGIBLE FIXED ASSETS	thousands of PLN	
	2015	2014
1. fixed assets, including:	834 250	799 913
a) land	18 927	16 796
b) buildings, premises, civil engineering objects	210 497	220 485
c) plants and machinery	599 283	556 882
d) means of transport	1 666	2 065
e) other fixed assets	3 877	3 685
2. fixed assets under construction	29 660	82 926
Tangible fixed assets, total	863 910	882 839

As of the balance sheet day, the real estate located at Wadowicka Street in Cracow is encumbered with a joint mortgage of up to PLN 150 000 thousand, supposed to secure the repayment of a long-term investment credit incurred at the PKO BP Bank based in Warsaw amounting to PLN 100 000 thousand appropriated for the majority stake of ZGH “Bolesław” S.A. in Bukowno. The value of debt incurred in respect of the above mentioned credit amounts to PLN 40 000 thousand as of the balance sheet day.

Other tangible assets are not encumbered with mortgages, registered pledges and ownership transfers.

Tangible fixed assets are valued according to cost, i.e. the purchase price (production cost) less accumulated depreciation (amortization). As of the balance sheet date no write-offs were made due to impairment of the value of fixed assets, as there was no indication proving it. In the reporting year it has been noted full use of the fixed assets, and volume of sales of all products was by 2,4 per cent lower than in the previous year.

2b NOTE - CHANGE OF FIXED ASSETS (BY GROUPS)						
thousands of PLN						
	- land (including perpetual usufruct)	- buildings, premises, civil engineering objects	- plants and machinery	- means of transport	- other fixed assets	Fixed assets, total
I. gross value of fixed assets at the beginning of the period	16 796	333 285	765 008	6 188	5 694	1 126 971
1. increase (due to)	2 205	6 305	72 449		486	81 445
a) investment	2 131	2 458	72 204		486	77 279
b) expert's appraisal value						
c) change of status of long-term investments	74	3 847				3 921
d) change of spare parts included in fixed assets in accordance with IAS			245			245
2. decrease (due to)	74		1 181	8		1 263
a) sale	74		130	8		212
b) liquidation			1 051			1 051
c) change of spare parts included in fixed assets in accordance with IAS						
d) change in long-term investments						
e) inventory differences						
II. gross value of fixed assets at the end of the period	18 927	339 590	836 276	6 180	6 180	1 207 153
1. accumulated depreciation (amortization), at the beginning of the period		112 800	208 126	4 123	2 009	327 058
2. depreciation for the period (due to)		16 293	28 867	391	294	45 845
a) depreciation included in costs		16 293	29 786	399	294	46 772
b) reduction due to sale			56	8		64
c) reduction due to liquidation			863			863
d) reduction due to inventory shortages						

e) reduction due to contribution						
III. accumulated depreciation (amortization) at the end of the period		129 093	236 993	4 514	2 303	372 903
a) write-offs for permanent loss of value, at the beginning of the period						
b) increase						
c) decrease						
d) write-offs for permanent loss of value, at the end of the period						
IV. net value of fixed assets at the end of the period	18 927	210 497	599 283	1 666	3 877	834 250

NOTE 2c - BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)	thousands of PLN	
	2015	2014
1. own assets	834 250	799 913
Total balance sheet fixed assets	834 250	799 913

NOTE 3- CHANGE OF LONG-TERM RECEIVABLES - DID NOT OCCUR

NOTE 4 - LONG-TERM INVESTMENT (ACC. TO TITLES)	thousands of PLN	
	2015	2014
1. investment properties	99 993	103 915
2. long-term financial assets	395 654	390 360
a) stocks and shares	347 544	341 250
b) long-term loans	48 110	49 110
Long-term investment, total	495 647	494 275

The long-term loans stand for the loans granted to StalNet Sp. z o.o., Stalprodukt Profil S.A. and Cynk Mal S.A.

NOTE 4a - CHANGE OF STATUS OF REAL ESTATE INVESTMENT	thousands of PLN	
	2015	2014
1. balance at the beginning of the period	103 915	112 331
2. increases		
3. decreases (due to)	3 922	8 416
a) amortization	3 848	3 853
b) liquidation of facilities	74	2
c) reclassification to fixed assets		4 561
4. balance at the end of the period	99 993	103 915

Investment properties constitute fixed assets including: the right of perpetual usufruct of land (PLN 18,890 thousand), buildings and structures, leased to subsidiaries and external entities. These properties are not intended for sale. Total revenues from rent for the year 2015 amounted to PLN 7,969 thousand, while the costs associated with these real properties are estimated approximately at PLN 6,760 thousand. With real estate investments valuation rules by cost model are in force, i.e. cost of purchase less accumulated depreciation (amortization) and the total amount of any deductions due to impairment of value. Gross value of the real estate investments PLN 129 812 thousand, redemption PLN 29 819 thousand.

NOTE 4b – LONG-TERM FINANCIAL ASSETS (OWNERSHIP STRUCTURE)	thousands of PLN	
	2015	2014
1. in subsidiaries	355 535	350 241
a) shares	347 425	341 131
b) loans granted	8 110	9 110
2. in other entities	40 119	40 119
a) shares	119	119
b) loans granted	40 000	40 000
Long-term financial assets, total	395 654	390 360

The stakes and shares held are not quoted on stock exchanges or regulated markets. They are not characterized with limited transferability.

NOTE 4c - CHANGE IN THE BALANCE OF LONG- TERM FINANCIAL ASSETS (BY GROUP TYPES)	thousands of PLN	
	2015	2014
1. balance at the beginning of the period	390 360	378 848
2. increase (due to)	17 091	14 112
a) purchase of shares	14 565	
b) reclassification of loans from short- to long-term ones		9 110
c) subscription for shares in respect of the capital increase	2 526	5 002
3. decrease (due to)	11 797	2 600
a) shares write off for liquidation purposes	10 797	2 600
b) reclassification of loans from long- to short-term ones	1 000	
4. balance at the end of the period	395 654	390 360
Long-term financial assets, total	395 654	390 360

The purchase of stocks and shares is connected with the program for the purchase of employee shares of ZGH „Bolesław" S.A., to which the Company was obligated under the Sale Agreement concluded between the State Treasury and the Company in connection with the privatization of ZGH „Bolesław" S.A. The above program resulted in the increased share in the subsidiary company up to 94.45% as of 31.12.2015.

Taking up the shares is connected with the capital increase in the subsidiary company - Anew Institute Sp. z o.o., which occurred twice in the reporting period pursuant to the resolutions adopted by the Extraordinary General Meeting of Shareholders as of 10 July and 10 September 2015. The capital increase amounted to PLN 2 526 thousand and was entirely covered by the Company with a cash contribution.

The write-off concerns the shares held in Stalprodukt Centrostal Kraków Sp. z o.o. According to IAS 26 Assets Impairment, the Company is obligated to apply procedures aimed at analyzing if the asset components are recognized at the value not exceeding their recovered value. As there were indications that the given asset component might have been impaired, an asset impairment test was performed. The indications for the test come from both internal and external sources. Based on the test result, a total impairment write-off was made in the subsidiary company amounting to PLN 10 797 thousand. Additionally, another impairment test was performed for the shares of the Cynk-Mal S.A. subsidiary company. As a result, the test indicated the excess of the 'value in use' over the balance sheet value of the assets therefore no write-off was made.

NOTE 4 d – SHARES IN SUBSIDIARIES

No	thousands of PLN											
	a	b	c	d	e	f	g	h	i	j	k	l
	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	nature of the relation (subsidiary, interdependent unit, associate, with specification of direct and indirect relations)	the applied method of consolidation/ equity valuation method, or indication that the unit is not subject to consolidation/ equity valuation method	date of take-over of control/ joint control/ obtaining a significant impact	the value of shares according to the cost of purchase	value adjustments (total)	book value of shares	percentage of capital held	share of the total number of votes at a general meeting	indication, other than those referred to in par. j) or k), bases for control/ joint control/ significant impact
1.	Stalprodukt-MB sp. z o.o.	Bochnia	Construction and maintenance of roads and highways	subsidiary	full consolidation	17.10.1997	2 604	0	2 604	100	100	
2.	Stalprodukt-Wamech sp. z o.o.	Bochnia	production of spare parts and repair services	subsidiary	full consolidation	05.12.1997	1 200	0	1 200	100	100	
3.	Stalprodukt-Centrostal sp. z o.o.	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997	10 797	10 797	0	100	100	
4.	Stalprodukt-Serwis sp. z o.o.	Bochnia	services of installation, repair and maintenance of machinery	subsidiary	full consolidation	29.12.1998	900	0	900	100	100	
5.	Stalprodukt-Zamość sp. z o.o.	Zamość	woodwork production and trade of metallurgical products	subsidiary	full consolidation	09.12.1997	2 450	0	2 450	100	100	
6.	Stalprodukt-Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000	600	0	600	100	100	
7.	STP Elbud sp. z o.o.	Kraków	manufacture of structures and galvanizing services	subsidiary	full consolidation	01.06.2005	20 864	0	20 864	100	100	

8.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008	32 960	0	32 960	51	51	
9.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	12 745	695	12 050	100	100	
10.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	273 797	0	273 797	94,45	94,45	

NOTE 4e - Shares in subsidiaries

	thousands of PLN																
	a	m						n			o			p	r	s	t
		Equity of the unit, including:						Liabilities and provisions for liabilities of the unit, including:			Receivables of the unit, including:						
					Other equity, including:												
No	name of entity		- share capital	- calledup share capital (negative value)		Previous years' profit (loss)	Net profit (loss)		-long-term liabilities	- short-term liabilities		- long-term receivables	- short-term receivables	Assets of the entity, total	Revenues from sale	value of the shares in the unit not paid by the issuer	dividends received or receivable from the unit for the last financial year
1.	Stalprodukt-MB sp. z o.o.	**4 805**	2 604		2 201		-138	**389**		389	**1 842**		1 842	5 194	3 421		
2.	Stalprodukt-Wamech sp. z o.o.	**10 099**	1 200		8 899		507	**2 263**		2 263	**4 683**		4 683	12 361	17 551		
3.	Stalprodukt-Centrostal sp. z o.o.	**6 138**	10 797		-4 659	-15 523	-1 210	**79 654**		79 310	**47 571**		47 571	85 792	374 576		
4.	Stalprodukt-Serwis sp. z o.o.	**4 959**	900		4 059		55	**2 095**	29	1 712	**2 756**		2 756	7 054	13 165		
5.	Stalprodukt-Zamość sp. z o.o.	**19 883**	2 450		17 433		1 469	**5 340**	141	4 434	**3 951**		3 951	25 223	45 527		
6.	Stalprodukt-Ochrona sp. z o.o.	**1 754**	600		1 154		71	**470**		470	**793**		793	2 225	4 617		
7.	STP Elbud sp. z o.o.	**58 881**	20 613	33 326	4 942		2 824	**26 920**	10 400	15 681	**24 158**		24 158	85 801	118 603		
8.	Cynk-Mal S.A.	**21 672**	20 191	22 496	-21 015	-17 978	-3 037	**43 881**	8 153	29 377	**4 839**		4 839	65 553	49 073		
9.	Anew Institute Sp. z o.o.	**9 524**	12 050	77	-2 603	-585	-2 039	**2 849**		375	**924**		924	12 373	1 255		
10.	ZGH "Bolesław" SA	**613 211**	166 116	228 369	218 726	1 471	51 855	**354 589**	12 292	137 341	**128 441**	621	127 820	967 800	854 132		

NOTE 4 f – Shares in other entities										
	thousand x PLN									
	a	b	c	d	e		f	g	h	i
					equity of the unit, including:					
No	Name (company) of the entity, indicating its legal form	Seat	Object of the enterprise	Book value of shares		- share capital	Percentage of capital held	Total number of votes at a general meeting	The value of shares not paid by the issuer	Dividends received or receivable for the last financial year
1.	Stalprodukt-Profil S.A.	Bochnia	trade in steel products				16.00	16.00		
2.	StalNet sp. z o.o.	Kraków	online trade				19.50	19.50		

Moreover, the Issuer holds some minority stakes and shares in 7 entities, for which a 100% revaluation write-down was made due to their loss of value.

NOTE 5 - Change in assets due to deferred income tax	thousands of PLN	
	2015	2014
1. Balance of assets due to deferred income tax, at the beginning of the period, including:	1 701	826
a) attributed to the financial result	1 701	826
b) attributed to equity		
2. Increases	1 757	1 506
a) attributed to financial result of the period in respect of deductible temporary differences (due to)	1 757	1 506
- appearance of temporary differences	1 757	1 506
b) attributed to equity in respect of negative temporary differences (due to)		
3. Decreases	1 489	631
a) attributed to financial result of the period in respect of negative temporary differences (due to)	1 489	631
- reversal of temporary differences	1 489	631
- changes of tax rate		
b) attributed to equity in respect of negative temporary differences (due to)		
4. Balance of assets due to deferred income tax, at the end of the period, including:	1 969	1 701
a) attributed to the financial result	1 969	1 701
b) attributed to equity		

NOTE 5a – The amounts of negative temporary differences by main groups of assets and liabilities	thousands of PLN	
	2015	2014
1. inventory (materials and products)	3 615	705
2. receivables	1 003	1 111
3. liabilities for employee benefits	4 433	5 462
4. liabilities due to the purchase of energy origin certificates and others	1 311	1 672
Total negative temporary differences	10 362	8 950
Tax rate	19%	19%
Assets due to deferred income tax	1 969	1 701

NOTE 6 – Inventory	thousands of PLN	
	2015	2014
1. materials	120 129	183 047
2. semi-finished products and work in progress	58 286	40 433
3. finished products	43 085	56 808
4. goods	2 808	4 794
Inventory, total	224 308	285 082

As of the balance sheet day, materials are subject to a registered pledge up to the amount of PLN 20 000 thousand in favor of PNB Paribas S.A., up to the amount of PLN 15 000 thousand in favor of Bank Handlowy S.A., up to the amount of PLN 70 000 thousand in favor of Bank PKO BP S.A. and up to the amount of PLN 25 000 thousand in favor of Bank PeKaO S.A., securing the granted credit limits.

During the reporting period write-down sue to impairment of value was made on finished products to the net realizable value. The value of the write-down amounted to 3,615 thousand PLN. Advances for deliveries demonstrated in receivables for deliveries and services. The value of advances for deliveries as at 31.12.2015 amounts to 740 thousand PLN.

NOTE 7a – Short-term receivables	thousand x PLN	
	2015	2014
1. from related parties	62 180	80 956
a) trade receivables, maturing:	62 180	80 956
- up to 12 months	62 180	80 956
- above 12 months		
2. receivables from other entities	152 264	127 473
a) trade receivables, maturing:	131 978	109 965
- up to 12 months	130 226	107 647
- above 12 months	1 752	2 318
b) receivables from tax, subsidy, customs, social security and other benefits	14 496	13 176
c) other	5 790	4 332
Net short-term receivables, total	214 444	208 429
a) write-downs of receivables	2 078	2 003
Gross short-term receivables, total	216 522	210 432

As of the balance sheet date applies charge of receivables: silent assignment duties in the amount of PLN 10 000 thousand, which constitutes security of the limit for guarantees and letters of credit in Bank Handlowy S.A. and the undetermined amount of the silent cession of claims from 11 customers, as security for a limit on guarantees and letters of credit in BNP Paribas Bank Polska S.A.

NOTE 7b – Change in short-term receivables write-down	thousands of PLN	
	2015	2014
Balance at the beginning of the period	2 003	1 814
1. increase (due to)	1 533	3 131
a) provision for doubtful receivables	1 533	3 131
2. decrease (due to)	1 458	2 942
a) cancellation	289	723
b) adjustment	97	11
c) payment	1 072	2 208
Balance of short-term receivables write-downs at the end of the period	2 078	2 003

NOTE 7c – Gross short-term receivables (currency structure)	thousands of PLN	
	2015	2014
1. in Polish currency	106 260	126 670
2. in foreign currencies (according to currencies converted into PLN)	110 262	83 762
a) in EURO	20 700	13 140
converted into PLN	88 509	55 263
b) in USD	5 445	8 076
converted into PLN	21 753	28 499
Short-term receivables, total	216 522	210 432

NOTE 7d – Trade receivables (gross) – maturing as at the balance day:	thousands of PLN	
	2015	2014
up to 1 month	99 193	97 214
above 1 month up to 3 months	63 927	60 008
above 3 months up to 6 months		
above 6 months up to 1 year		
above 1 year		
overdue receivables	33 116	35 702
Trade receivables, total (gross)	196 236	192 924
trade receivables write-downs	2 078	2 003
Trade receivables, total (net)	194 158	190 921

The normal course of sales is connected with the time interval for repayment of receivables up to 3 months.

NOTE 7e – Trade receivables, overdue (gross) – divided into unpaid receivables within the period:	thousands of PLN	
	2015	2014
up to 1 month	28 245	31 620
above 1 month up to 3 months	1 441	2 430
above 3 months up to 6 months	1 869	87
above 6 months up to 1 year	162	295
above 1 year	1 399	1 270
Trade receivables, total (gross)	33 116	35 702
trade receivables write-downs	2 078	2 003
Trade receivables, total (net)	31 038	33 699

Out of the total amount of gross short-term receivables, i.e. 216,522 thousand PLN, overdue receivables amount to PLN 33,116 thousand. Disputable overdue receivables did not occur. Overdue receivables only apply to trade receivables. Out of the overdue receivables, only the amount of 2,078 thousand PLN was covered by write-downs. The remaining receivables were not subject to write-downs due to the fact that part of them refers to subsidiaries and are justified by the strategy and marketing policy of the parent company. However, in relation to other external customers, overdue receivables shall be permitted in connection with securing of such receivables by bank guarantees and promissory notes.

NOTA 8a - KRÓTKOTERMINOWE AKTYWA FINANSOWE	thousands of PLN	
	2015	2014
1. in subsidiaries	1 000	1 000
a) loans granted	1 000	1 000
2. cash and other pecuniary assets	19 657	38 280
a) cash in hand and at bank	19 657	38 280
3. own shares	856	
a) own shares	856	
Short-term financial assets, total	21 513	39 280

On 17 November 2015, the Extraordinary General Meeting of Shareholders adopted a Resolution regarding the Company's purchase of it own shares with a view to redemption The maximum number of shares to be purchased by the Company within the Program is 1 075 000 items. The purchase price per share is PLN 250. The purchase concerns the registered preference shares of series A, B and E. The value of the Program combined with the purchase costs amounts to PLN 270 million. The purchase of shares may take place in the period not longer than within 10 June 2016. Within the framework of the Program, on 20 November 2015, shareholders were addressed with an invitation to submit tenders for the sale of the Issuer' s shares. The invitation covered the number of 358 400 shares, which accounts for 5.33 % of share capital and authorizes the holder to cast 1 792 000 votes accounting for 10,00 % of the total number of votes at the General Meeting of Shareholders. As a result of the 1st tranche, the Issuer purchased 358 400 shares.

NOTE 8b – Cash and equivalents (currency structure)	thousands of PLN	
	2015	2014
1. in Polish currency	4 939	4 016
2. in foreign currencies (according to currencies converted into PLN)	14 718	34 264
a) in Euro	2 174	3 761
converted into thousand PLN	9 232	16 099
b) in USD	1 416	5 128
converted into thousand PLN	5 486	18 165
Cash and other pecuniary assets, total	19 657	38 280

Cash and cash equivalents are invested in secure financial instruments, such as short-term deposits with a term up to 30 days. These deposits are not at risk and ensure the availability of financial resources. The interest rate on deposits negotiated each time, forms significantly above the standard interest rate of deposits. As at the balance sheet resources were invested on overnight deposits.

NOTE 9 - Short-term accruals	thousands of PLN	
	2015	2014
1. active cost accruals, including:	6 995	6 278
a) costs of insurance and subscription	119	85
b) costs of fair organized in 2016	46	91
c) staged repairs	6 748	6 019
d) other	82	83
Short-term accruals, including:	6 995	6 278

Write-offs

Asset write-offs due to impairment of value refer to long-term financial assets, which constitute long-term investments (stocks and shares in other entities) and short-term receivables and stocks of finished products. The total value of the write-offs as of the balance sheet day is PLN 21 593 thousand, including the ones concerning long-term investments PLN 10 797 thousand, receivables PLN 2 078 thousands, materials PLN 5 103 thousand and finished products PLN 3 615 thousand.

During the reporting period there was made a write-off in the amount of PLN 3,615 thousand in scope of inventories of finished products and a write-off from the previous year was dissolved in the amount of PLN 706 thousand, in connection with sale of the products covered by the write-off. A revaluation write-off amounting to PLN 5 103 thousand was made in connection with a planned scrapping. Write-off due to impairment of doubtful receivables was made in the amount of PLN 1,533 thousand and a part of the previous write-downs in the amount of PLN 1,458 thousand, in connection with payment of receivables, cancellation and adjustments. A revaluation write-off, amounting to PLN 10 797 thousand, was made in respect of the shares held in the subsidiary company Stalprodukt Centrostal Kraków Sp. z o.o.

NOTE 10 – Share capital (structure)								
thousands of PLN								
Series/issue	Type of shares	Share preference type	Type of limitation of rights to shares	Number of shares	Value of a series/issue according to nominal value	Manner of capital coverage	Registration date	The right to dividend (since)
A	preference registered shares	5 votes at the General Shareholders' Meeting and the distribution of assets		128 180	256 360	cash	3.07.1991	1.07.1992
A	registered shares without preference	Non-preference		1 820	3 640	cash	3.07.1991	1.07.1992
B	preference registered shares	5 votes at the General Shareholders' Meeting and the distribution of assets		505 490	1 010 980	cash	16.11.1993	1.01.1994
B	registered shares without preference	Non-preference		14 510	29 020	cash	16.11.1993	1.01.1994
C	ordinary bearer shares	Non-preference		780 000	1 560 000	cash	20.10.1994	1.01.1995
D	ordinary bearer shares	Non-preference		780 000	1 560 000	cash	20.10.1994	1.01.1995
E	preference registered shares	5 votes at the General Shareholders' Meeting and the distribution of assets		2 165 630	4 331 260	cash	30.09.1996	1.01.1996
E	registered shares without preference	Non-preference		44 370	88 740	cash	30.09.1996	1.01.1996
F	ordinary bearer shares	Non-preference		1 105 000	2 210 000	cash	17.12.1996	1.01.1997
G	ordinary bearer shares	Non-preference		1 200 000	2 400 000	cash	13.05.1997	1.01.1997
Number of shares, total				6 725 000				
Share capital, total					13 450 000			
Nominal value of one share (in PLN)		2,00						

Preference of the property means that in the event of liquidation of the Company, the assets remaining after satisfaction of creditors shall be paid first in a nominal amount for all shares, and the rest is divided evenly on the preference shares.

NOTE 11– Supplementary capital	thousands of PLN	
	2015	2014
1. from sale of shares above their nominal value	35 054	35 054
2. statutorily created	646	646
3. created in accordance with the statute / articles of association, above the statutorily required (minimum) value		
4. from subsidies of the shareholders / partners		
5. other (by type)	68 484	68 484
a) from revaluation of fixed assets	285	285
b) from liquidation and revaluation of fixed assets	181	181
c) from sale of shares	148	148
d) retained profit	60 510	60 510
e) transfer of profit retained in the previous years	33 998	33 998
f) negative difference between the nominal value and purchase price of own shares	-26 638	-26 638
Supplementary capital, total	104 184	104 184

Supplementary capital is mandatory created in the company (by law). According to the Code of Commercial Companies, the company must allocate to the reserve capital at least 8% of annual net profit until the capital reaches 1/3 of share capital. Supplementary capital is increased by the excess over the issue of shares above their nominal value and the difference from the revaluation of fixed assets, which have been liquidated or sold. Supplementary capital also includes profit from previous years in the amount of 33,998 thousand PLN, referring to negative goodwill from previous years and settled in accordance with IAS, as well as retained profits on revaluation of fixed assets and the right of perpetual usufruct of land, made on the date of transition to IFRS.

NOTE 12 – Revaluation reserve	thousands of PLN	
	2015	2014
1. from revaluation of fixed assets	3 166	3 166
Revaluation reserve, total	3 166	3 166

NOTE 13 – Other reserve capitals (by appropriation)	thousands of PLN	
	2015	2014
1. reserve capital for investments	1 131 392	1 387 905
2. reserve capital for financing of current assets	12 145	12 145
3. other reserve capital	181 117	
Revaluation reserve, total	1 324 654	1 400 050

The remaining reserve capitals are created from profit, which distribution is agreed by Shareholders. Equity is used to financing of working capital and to covering potential losses. The General Shareholders' Meeting decides about use of these capitals.

On 17 November 2015, by way of the Resolution No XXXII/5/2015, the Extraordinary General Meeting of Shareholders decided on the formation of the reserve capital amounting to PLN 270 000 thousand. The reserve capital was formed to finance the Company's purchase of its own shares within the own-shares-purchase Program. As of 31.12.2015 the reserve capital was reduced by the excess of the purchase price over the nominal value of the shares purchased within the 1st tranch of the own-shares-purchase, i.e. by PLN 88 883 thousand.

NOTE 14 a - CHANGE IN THE BALANCE OF RESERVE FOR DEFERRED INCOME TAX	thousands of PLN	
	2015	2014
1. The balance of deferred income tax, at the beginning of the period, including:	24 400	17 285
a) attributed to financial result (due to)	24 400	17 285
- difference between balance and taxable amortization	24 400	17 285
- investment allowance		
b) attributed to equity		
- for revaluation of fixed assets		
2. Increases	9 039	7 115
a) attributed to the financial result due to positive temporary differences (due to)	9 039	7 115
- difference between balance and taxable amortization	9 039	7 115
3. Decreases		
a) attributed to the financial result due to positive temporary differences (due to)		
- reversal of temporary differences (use of reserves for deferred income tax)		
b) attributed to the financial result due to positive temporary differences (due to)		
- difference between balance and taxable amortization		
4. Balance of reserve at the end of the period, total	33 439	24 400
a) attributed to the financial result	33 439	24 400
- due to differences between tax and balance sheet depreciation	33 439	24 400
b) attributed to equity		

Positive temporary differences relate to differences between depreciation entered in the balance sheet and tax depreciation. The amount of positive temporary differences at the beginning of the reporting period is PLN 128,400 thousand and at the end of the reporting period PLN 175,995 thousand.

NOTE 14 b – Change of the balance of other long-term reserves	thousands of PLN	
	2015	2014
1. balance at the beginning of the period	4 789	3 040
2. increases (due to)	1 167	4 158
a) provision for retirement benefits	1 112	4 103
b) use (due to)	55	55
3. dissolution (due to)	755	2 409
a) transfer to a short-term reserve	755	2 409
b) decrease of a reserve		
4. balance at the end of the period	5 201	4 789

NOTE 14 c - CHANGE IN OTHER SHORT-TERM RESERVES (BY TITLE)	thousands of PLN	
	2015	2014
1. balance at the beginning of the period	2 417	1 179
2. increases (due to)	755	3 969
a) transfer to a short-term reserve	755	3 969
b) formation of a provision for the purchase of energy origin certificates		1 560
3. dissolution (due to)	2 282	2 731
a) paid retirement benefits	722	2 731
b) purchase of energy origin certificates	1 560	
4. balance at the end of the period	890	2 417

NOTE 15 a – Long-term liabilities	thousands of PLN	
	2015	2014
1. Long-term credits and loans	20 000	40 000
Long-term liabilities, total	20 000	40 000

The amount of PLN 20 000 thousand refers to the long-term investment credit incurred at the PKO BP S.A. Bank based in Warsaw for the purchase of the ZGH “Bolesław” shares, amounting to PLN 100 000 thousand, wherein the amount of PLN 40 000 thousand accounts for a long-term credit with an annual period of repayment (Note 16a). The repayment of the credit in quarterly installments shall continue from 01.01.2013 to 31.12.2017. The credit is secured with a joint mortgage of up to PLN 150 000 thousand placed on the real estate situated at Wadowicka Street in Kraków.

NOTE 16 a – Short-term liabilities	thousands of PLN	
	2015	2014
1. to related parties	10 254	14 553
a) trade liabilities, maturing:	10 254	14 553
- up to 12 months	10 254	14 553
2. to other entities	242 800	295 889
a) credits and loans, including:	57 406	81 315
- long-term, maturing	20 000	20 000
b) trade liabilities, maturing:	145 354	191 309
- up to 12 months	142 807	189 232
- over 12 months	2 547	2 077
c) other short-term liabilities	40 040	23 265
c.1 received advances for deliveries	511	449
c.2 tax, customs, insurance and other liabilities	22 915	6 859
c.3 payroll	8 161	7 214
c.4 other (by title)	8 453	8 743
- social fund	7 925	7 696
- PKZP	383	400
- PZU	103	102
- other	42	545
Short-term liabilities, total	253 054	310 442

NOTE 16 b - Short-term liabilities (currency structure)	thousands of PLN	
	2015	2014
1. in Polish currency	225 374	287 831
2. in foreign currency (by currency and converted into PLN)	27 680	22 611
a) in EUR (thousands of EUR)	6 514	1 762
converted into thousands of PLN	27 793	7 440
b) In USD thousands of PLN	-36	4 423
converted into thousands of PLN	-113	15 171
other currency in thousand PLN		
Short-term liabilities, total	253 054	310 442

NOTE 16 c - SHORT-TERM LIABILITIES FOR CREDITS AND LOANS													
thousand x PLN													
Name (company) of the unit, indicating its legal form	seat	The amount of credit limit/loan according to the agreement				The amount of credit/loan remaining for repayment				Interests	Term of repayment	Collaterals	Other
		in thousand PLN	in currency	unit	currency	in thousand PLN	in currency	unit	currency				
Bank Pekao S.A.	Kraków	75 000	0	in thousand	PLN	11 449		in thousand		Wibor+margin	September 2016	pledge on materials, promissory note	credit in current account limit for guarantees and letters of credits. Within the limits the companies from Capital Group have limits of up to PLN 32,332 thousand (13,000 Stp Elbud and 19,332 Cynk-Mal S.A.)
Bank Handlowy S.A.	Warszawa		0	in thousand	PLN			in thousand		Wibor+margin	July 2016	pledge on (raw) material inventories, assignment of receivables	overdraft limit in the current account and for short-term guarantees PLN 40,000 thousand. Limit for long-term guarantees PLN 25,000 thousand.
BNP Paribas Bank Polska SA	Kraków	65 000	0	in thousand	PLN	10 080		in thousand		Wibor+margin	January 2017	promissory note, silent transfer of dues and pledge on materials	overdraft limit in the current account – guarantees and letters of credit
Bank PKO BP S.A.	Warszawa	50 000	0	in thousand	PLN	15 877		in thousand		Wibor+margin	August 2017	promissory note, pledge on inventories	Limit for guarantees and letters of credit PLN 80.000 thousand overdraft in the current account PLN 40,000 thousand. Within the limit, the Capital Group's companies have a limit of up to PLN 30 000 thousand (STP Elbud PLN 10 000 thousand and Centrostal PLN 20 000 thousand)
PKO Bank Polski S.A.	Warszawa	150 000				20 000		in thousand		Wibor+margin			long-term credit of annual repayment period

NOTE 17 – Accruals	thousands of PLN	
	2015	2014
1. deferred income	5 224	8 014
a) long-term (by titles)	4 258	350
- grant	4 258	350
b) short-term (by titles)	966	7 664
- received advances	966	7 664
Other accruals, total	5 224	8 014

The subsidy is related to carrying out and financing a project in the area of renewable energy sources, i.e. construction of an innovative prototype of a wind turbine with a vertical 1.5 MW axis rotor. The project concerned obtained financing from the National Centre for Research and Development with a pilot enterprise ”DEMONSTRATOR + Supporting scientific research and development works in demonstration scale”.
A respective agreement was signed in December 2013, and the planned completion date for the project is 30.09.2016. The total subsidy amount is PLN 12 539 923.

Within the consortium (grouping – apart from the Company – the Stanisław Staszic University of Science and Technology in Kraków and ANew Institue Sp. z o.o.), formed within the framework of the agreement dated 10 December 2013 regarding the implementation and financing of the above mentioned project, the following works were under way in 2015:
- making assumptions for a wind park design;
- preparing the wind park design;
- making assumptions for the design of power converters intended to work in combination with the wind park.

NOTE 18 - Book value per 1 share
The book value per 1 ordinary share was calculated as the ratio of equity to the number of shares (PLN 1,554,115 thousand: 6,725,000 shares = PLN 231.10).

NOTE 19 a - NET INCOME FROM SALES OF PRODUCTS (MATERIAL STRUCTURE-TYPES OF ACTIVITIES)	thousands of PLN	
	2015	2014
1. transformer sheets	653 305	446 048
including: from related parties		0
2. toroidal cores	10 698	10 345
including: from related parties		0
3. steel sheet for banding steel	27	30
including: from related parties	27	30
4. steel sheets, hot-rolled and cold-rolled strips	70 167	108 094
including: from related parties	54 006	79 416
5. cold formed profiles	488 727	525 579
including: from related parties	268 714	270 443
6. road barriers	67 454	116 219
including: from related parties	46	129
7. services	10 441	11 219
including: from related parties	8 606	8 703
Net revenues from sales of products, total	1 300 819	1 217 534
including: from related parties	331 399	358 721

NOTE 19 b -NET SALES OF PRODUCTS (TERRITORIAL STRUCTURE)	thousands of PLN	
	2015	2014
1. domestic	500 701	576 529
a) transformer sheets	29 615	17 405
b) toroidal cores	4 730	4 484
c) steel sheet for banding steel	27	30
d) steel sheets, hot-rolled and cold-rolled strips	60 662	92 672
e) cold formed profiles	345 281	345 131
f) road barriers	49 945	105 588
g) services	10 441	11 219
2. export	800 118	641 005
a) transformer sheets	623 690	428 643
b) toroidal cores	5 968	5 861
c) steel sheets, hot-rolled and cold-rolled strips	9 505	15 422
d) cold formed profiles	143 446	180 448
e) road barriers	17 509	10 631
Net income from sales of products, total	1 300 819	1 217 534

NOTE 20a – Net sales of goods and materials (material structure – types of activities)	thousands of PLN	
	2015	2014
1. goods	24 145	32 919
including: from related parties	22 353	30 979
2. technological waste	21 354	23 556
including: from related parties	1 588	2 171
3. other materials	1 308	1 159
including: from related parties	16	44
Net revenues from sales of goods and materials, total	46 807	57 634
including: from related parties	23 957	33 194

NOTE 21 – Costs by type – cost of manufacture of products sold	thousands of PLN	
	2015	2014
1. amortization	47 064	44 989
2. consumption of materials and energy	877 956	888 273
3. external services	90 612	102 251
4. taxes and fees	17 046	16 473
5. payroll	95 341	87 337
6. social insurance and other benefits	22 483	20 871
7. other costs by type (due to)	3 558	2 417
a) business trips	702	710
b) property insurance	616	600
c) representation and advertising	759	636
d) other	1 481	471
8. balance of exchange differences arising from: settlements, provisions against retirement allowances, finished products price reduction	1 605	-1 640
a) balance of exchange differences arising from settlements	-2 400	-3 717
b) balance of provisions against retirement allowances	390	1 371
c) provisions for loss of value of finished products	3 615	706
Costs by type, total	1 155 665	1 160 971
Change in stocks, products and accruals	-10 759	12 809
Cost of manufacture of goods produced for own purposes (negative value)		
Selling costs (negative value)	-37 579	-35 652
General and administrative costs	-39 268	-36 430
Cost of manufacture of products sold	1 068 059	1 101 698

NOTE 22 – Other operating revenues	thousands of PLN	
	2015	2014
1) reversed provisions (due to)	2 306	3 095
a) doubtful receivables	24	14
b) retirement benefits	722	2 731
c) payroll		350
d) energy origin certificates	1 560	
2. other, including:	3 713	3 310
a) payment of adjudicated court fees	5	176
b) received compensation	64	1 872
c) revenues from sales of fixed assets	2 877	119
d) revenues due to not collected payroll		580
e) surplus in working capital	86	132
f) other	681	431
Other operating revenues, total	6 019	6 405

NOTE 23 – Other operating costs	thousands of PLN	
	2015	2014
1. reserves (due to)	9 885	8 210
a) doubtful receivables		144
b) retirement benefits	1 112	4 103
c) landfill (waste) reclamation	55	55
d) value of finished products	3 615	706
e) payroll		1 642
f) purchase of energy origin certificates		1 560
g) a revaluation write-off for charge inventories	5 103	
2. other, including:	2 692	3 440
a) donations	150	100
b) costs of court proceedings	5	22
c) penalties, fines, compensations	351	24
d) shortages in financial resources	598	371
e) value of written-off receivables covered with insurance		1 670
f) costs of tests	1 095	741
g) value of liquidated fixed assets		
h) other	493	512
Other operating costs, total	12 577	11 650

NOTE 24 – Financial revenues	thousands of PLN	
	2015	2014
1. revenues due to interests, including	3 855	5 549
a) from related parties	3 174	4 251
b) from other entities	681	1 298
2. exchange rate differences (the excess of negative over positive)		
a) realized		
b) unrealized		
3. released provisions, due to		
c) interests		
4. other, including:		444
a) dividend received		
b) income from the liquidation of a subsidiary company		444
Financial revenues, total	3 855	5 993

NOTE 25 – Financial expenses	thousands of PLN	
	2015	2014
1. due to credits and loans	3 666	4 942
a) from related parties		
b) from other entities	3 666	4 942
2. other interests		
a) from related parties		
b) from other entities		
3. exchange rate differences (the excess of negative over positive), including	1 147	
a) realized		
b) unrealized	1 147	
4. released provisions, due to	505	381
a) accrued but not paid interests	505	381
5. other, including	10 797	2 599
a) impairment losses	10 797	2 599
Financial expenses, total	16 115	7 922

Settlement of exchange rate differences	thousands of PLN	
	2015	2014
1. positive exchange rate differences, including	23 598	14 731
a) realized	23 598	14 731
b) unrealized		
2. negative exchange rate differences	21 198	11 014
a) realized	21 198	11 014
b) unrealized		
Balance of exchange differences arising on settlements, translated into reduced production costs of the products sold	-2 400	-3 717
Balance of exchange rate differences (Profit and loss account, note 25)		

NOTE 26 Current and deferred income tax	thousands of PLN	
	2015	2014
1. Gross profit (loss)	134 528	35 633
2. Differences between gross profit (loss) prior to income tax (by titles)	-45 426	-34 756
a) depreciation of fixed assets covered by investment allowance		
b) amortization of tangible and intangible deductible expenses	-47 574	-37 451
c) donations and voluntary contributions	211	155
d) provision for receivables		144
e) release of provision for retirement benefits	-722	-2 731
f) PFRON	1 500	1 322
g) Supervisory Board fees not payed out	55	55
h) write-off due to revaluation of long-term investments	10 797	
i) cost regarding provisions for retirement benefits	1 112	4 102
j) charge material adjustments /bonus/ in the account	-21 413	
k) social insurance for November and December '2014' and paid in January and February '2015'	-2 799	-2 741
l) social insurance for November and December '2015' and paid in January and February '2016'	3 321	2 799
m) value reduction in respect of finished products and charge inventory	8 718	
o) costs of representation	110	94
p) the value of disposed fixed assets from valuation	263	33
r) other	995	-537
3. Taxable income	89 102	877
4. Income tax at the rate 19%	16 930	167
5. Current income tax disclosed in tax declaration for the period, including:	16 930	167
a) disclosed in profit and loss account	25 867	8 482
b) correction of income tax for year 2013 included in the current profit and loss account		2 293
6. Deferred income tax due to temporary differences	8 937	6 189

NOTE 27 – PROFIT DISTRIBUTION
Net profit for the financial year 2014 amounting to 27,150,861.72 PLN divided by the General Shareholders' Meeting is as follows: - share in profits for the Management Board 162,905.17 - share in profits for the Supervisory Board 190,056.03 - reserve capital 13,487,366.52 - dividend 13,310,534.00 Proposals for allocation* of net profit for the reporting period in the amount of **108,661,809.90** PLN: - share in profits for the Management Board **651,970.86** - share in profits for the Supervisory Board **760,632.67** - reserve capital **90,508,405.37** - dividend **16,740,801.00** *the proposal for profit distribution provides for the full completion of the own-shares-purchase program, i.e. 1 075 000 items, which shares along with the ones held by the Company before the Program amounting to 69 733 items are not considered for the profit distribution.

NOTE 28 – Profit per 1 share
For calculation of profit per one common share were stock considered 6,296,867 shares, and this amount did not change over the financial year 2015. In accordance with IAS, 33, 428,133 own shares purchased by the Issuer were excluded from the calculation. The Company does not have a complex capital structure (stock options, warrants and other), and in scope of profit split the preferred shares do not differ from ordinary bearer shares. Therefore, no ratio of diluted profit per ordinary share is not calculated.

4. Reporting by segments

According to IFRS 8, an operating segment forms a part of an entity:

- which organizes the business, in connection with which revenues can be obtained and costs incurred,

- the results of which are subject to regular review and assessment by the main body in the entity responsible for decision making and using these results while deciding on the allocation of resources to segments,

- for which there is separate financial information available.

IFRS 8 requires disclosure of operating segments based on internal reports used in managerial accounting.

Using the management approach to segment reporting in Stalprodukt, there are two operating segments distinguished:

- Electrotechnical Sheets Segment DB,
- Profiles Segment DP.

For these segments, there is separate financial information drawn up for the Parent Company that the Management Board of the Company uses to evaluate the results of both segments for the purpose of bonus system, based on coverage margin, and for the purpose of the allocation of resources to a given segment. For the purposes of the consolidated financial statements, these data are subject to transformation in the segment of profiles.

Profiles segment includes the following products: cold formed profiles and tubes, road safety barriers and hot and cold rolled sheets and strips.

Transformer sheets segment includes transformer metal sheets and toroidal cores.

The financial statement discloses the goods as not meeting the quantitative criterion for determining the segments, along with other services under "other activities" to balance the results of the Company.

Segment revenues apply only to sales to external customers. Revenues of other segments in the consolidated financial statements are excluded.

Segment costs include the own cost of sales, including the cost of sales resulting from the operations of the segment. Segment costs do not include other operating costs, which can not be directly attributed (attributed) to the segment, general overheads costs, finance costs and income tax.

Segment result (profit/loss of the segment) is the difference between revenues and costs of the segment.

Segment assets (liabilities) are operating assets (operating liabilities) used by a segment (resulting) in operating activities, which are directly attributable to the segment (intangible assets, tangible fixed assets, inventories, receivables from customers, amounts due to suppliers) or allocated to the segment based on a reasonable basis e.g. share of the segment in sales, profit (other assets and liabilities).

The same accounting principles, including the methods of valuation, which are presented under par. 3 of this Information, taking into account the above findings, are applicable for reporting by segments.

Required information on operating segments for the year 2015 and comparable period was estimated and presented in the following tables (in thous. PLN):

Itemization 2015	Segments			Total
	Electrical Sheets Segment	Profiles Segment	Other Activities	
Segment revenues	664 003	626 375	57 248	1 347 626
Segment costs	489 313	606 338	59 361	1 155 012
Segment result	**174 690**	**20 037**	**-2 113**	**192 614**
Other operating income and financial income not assigned to the segment				9 874

Other general operational costs and financial costs associated to the segment				67 960
Gross profit				**134 528**
Income tax				25 867
Net profit				**108 661**
Segment assets	847 157	573 575	102 791	1 523 523
Assets not assigned to the segment				348 400
Total assets				1 871 923
Total liabilities	156 767	155 297	5 743	317 807
Capital expenditures	17 363	21 460	8 580	47 403
Depreciation	23 790	17 956	5 318	47 064

Itemization 2014	Segments			Total
	Electrical Sheets Segment	Profiles Segment	Other Activities	
Segment revenues	456 393	749 922	68 853	1 275 168
Segment costs	406 950	719 637	69 344	1 195 931
Segment result	**49 443**	**30 285**	**-491**	**79 237**
Other operating income and financial income not assigned to the segment				12 398
Other general operational costs and financial costs associated to the segment				56 002
Gross profit				**35 633**
Income tax				8 482
Net profit				**27 151**
Segment assets	776 599	695 741	116 355	1 588 695
Assets not assigned to the segment				349 229
Total assets				1 937 924
Total liabilities	154 635	222 090	13 337	390 062
Capital expenditures	43 869	2 774	1 186	47 829
Depreciation	22 623	17 441	4 925	44 989

7. Financial instruments and risk management assessment

Characteristics of financial instruments and rules for their valuation

Financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another.

The main financial instruments used by the Company include bank loans, financial leasing agreements and short-term deposits. The main purpose of these instruments is to raise funds for the activities of companies in the Group.

The Company also have other financial instruments such as cash, supplies and services receivables and payables, which are formed directly in the course of their business.

Moreover, the Issuer has an interest in other entities, which are long-term investments.

While entering financial instruments into the accounts, they are valued at cost (purchase price), which is the fair value of the payment. Transaction costs are recognized in the initial value of financial instruments.

After initial recognition, taking into account the criterion of purchase price, financial instruments are classified into one of four categories and valued as follows:

- financial instruments measured at fair value through profit or loss. This applies to financial instruments acquired in order to generate profits through short-term fluctuations in prices,
- Financial instruments held to maturity are investments with fixed or determinable payments and fixed maturity, which the Company intends to hold to that time. They are valued at amortized cost using the effective interest method,
- loans and receivables - are valued at amortized cost using the effective interest rate, and gains or losses are recognized in the profit and loss account. Receivables with a short maturity, for which the interest rate is not specified, are valued at the amount due,
- financial instruments available for sale (all other financial assets) - are valued at fair value and gains/losses from revaluation are recognized in the revaluation reserve until the sale of investments or reduction of its value. At this point, the total profit or loss from revaluation is referenced to the profit and loss account.

The fair value of financial instruments, which are traded on the current market, is determined in relation to the prices quoted on this market at the balance sheet date. If there is no quoted market price, fair value is estimated based on valuation techniques.

Financial liabilities that are not financial instruments measured at fair value through profit or loss are valued at amortized cost using the effective interest method.

Financial instruments are derecognised from the balance sheet when the Company loses control over contractual rights that make up the financial instrument, and this usually happens when the instrument is sold or when all cash flows attributable to that instrument are transferred to an independent third party.

At each balance sheet date, the Company assesses whether there is objective evidence of impairment of a financial asset or the group of financial assets. Such evidence includes: severe financial difficulties of the debtor, the disappearance of an active market for that financial instrument, adverse changes in the economic, legal and market environment of the financial instrument issuer, maintaining a significant decrease in the fair value of the instrument. When such evidence prevails, it is necessary to estimate the losses and make allowance for impairment.

Derivative financial instruments are initially recognized in the books at cost and subsequently measured at fair value. Changes in fair value of derivative financial instruments are recognized immediately in the profit and loss account. Derivatives are presented in the balance sheet as assets or liabilities held for trading.

The fair value of derivative instruments, which are traded on regulated markets, and securities available for sale is determined based on quoted market prices at the balance sheet date.

To estimate the fair value of derivative instruments, the prices of which are not quoted on regulated markets, and other financial instruments, the Company uses different methods and assumptions that are based on market conditions existing at each moment of the balance sheet.

Market and dealer quotations for specific and similar instruments are usually applied. Other techniques such as option pricing models or discounted value of future estimated cash flows, are used to determine the fair value of other instruments.

It is assumed that the nominal value of financial assets and liabilities with a maturity less than one year, reflect their fair values, which means it does not require discounting.

The purpose and policy of risk management and measurement methods.

The Company is exposed to various types of financial risks - including changes in market prices of debt and equity instruments, fluctuations of currencies and interest rates. The overall financial risk management program of the Issuer focuses on the unpredictability of financial markets and seeks to minimize the potential negative effects on the Company's financial results. The Department of Financial and Risk Management, supervised by the Finance Director, manages the risk in the Parent Company. The main objective is to minimize the negative effects of external changes on the results obtained by the Company. Depending on the type and size of risk, the Company complies with the appropriate instruments for the diagnosis, assessment and hedging.

The main risks associated with the activities of the Company include:

a) credit risk and contractual risk,

b) liquidity risk,

c) market risk, including:

- interest rate
- currency

Credit and contractual risk

Credit risk in the Company is limited by the current examination of the creditworthiness of contracting parties, by adopting appropriate securities (bank guarantees, letters of credit, bills of exchange, suretyships) and through constant monitoring of overdue receivables. With the aim to maintain current control, the commerce and finance departments are obliged to apply the principles set out in the procedures: credit and debt collection. These procedures specify the selection of contracting parties, setting of credit limits and procedure in the case of past due receivables.

Contractual risk arises when an agreement for the sale of goods under certain conditions of delivery is reached with a customer, which gives rise to obligations on the part of the Company with respect to the contracting party to deliver a specific lot, with a commitment of the Company to proceed to production before getting full payment. The situation results in the risk incurred by the Company in the form of finished goods, which are not collected by the contracting party.

Contractual risk generally occurs in the Company only when orders are taken for custom products and evaluation is carried out by a person accepting the order. The risk is mitigated through the adoption of appropriate securities or by receiving partial or full prepayment for ordered goods before production.

Item No.	Type of security	Type of hedged risk	2015			2014		
			Amount	Currency	thous. PLN	Amount	Currency	thous. PLN
1	Bank guarantees and letters of credit	credit/contract	917	PLN	**917**	1 053	PLN	**1 053**
2	Bank guarantees and letters of credit	credit/contract	5 880	EUR	**25 058**	5 585	EUR	**23 805**
3	Bank guarantees and letters of credit	credit/contract	4 122	USD	**16 080**	4 574	USD	**16 042**
4	Suretyships	credit/contract	3 600	PLN	**3 600**	4 650	PLN	**4 650**
4	Suretyships	credit/contract	10 125	EUR	**43 148**	4 955	EUR	**21 120**
	Total				**88 803**			**66 670**

The amount at risk equals the balance of short-term receivables plus issued guarantees and sureties granted, the fair value of derivative instruments, adjusted by the adopted securities, as well as claims against the affiliates. This amount is PLN 79,059 thousand. It should be noted that the average loans in arrears ratio for 12 months of 2015 (calculated as the ratio of loans in arrears to the total outstanding balance due to supplies, work and services) for the Issuer is 7.7%. In comparison to the year 2014 the (9.9%) increase of the annual average index is only slight, which results from the consistently pursued conservative policy for the management of credit risk and receivables.

The amount at risk in thousand PLN	**2015**	**2014**
1. The balance sheet value of outstanding balance	214 444	208 429
2. Guarantees and letters of credit issued	15 598	18 688
3. The fair value of derivative transactions	0	0
4. Adopted securities	88 803	66 670
5. Receivables in respect of affiliated entities	62 180	80 956
The amount at risk	**79 059**	**79 491**

It should be noted that most customers of the Company are those with whom the Company has been cooperating for many years.

Today, the Company has no restructured receivables, i.e. receivables in respect to the customers with whom the Company entered into an agreement to defer payment. Given the above, the credit quality should be defined as good.

Aging of receivables was presented in the notes to the balance sheet No. 7d - 7e.

Liquidity risk

Liquidity risk management refers to the control over financial flows and securing external funding opportunities, in particular: receivables collection and security in the form of credit lines.

In the current financial standing of the Company, with a clear advantage of financing with own funds, liquidity risk does not occur. However, keeping in mind the substantial capital expenditures, with the aim of protection, the Company maintains granted limits on working capital loans, based on agreements reached with cooperating banks.

The details concerning the credit line limits, credit-to-debt ratios and the remaining conditions were presented in 16c note.

Market Risk

Exchange Rates Risk

The exchange rate risk can be defined as the unfavourable impact of exchange rates on the Company's results. The following balance sheet positions are exposed to this kind of risk: granted loans, cash deposits and interest-bearing external financing sources.

As of 31.12.2015 the Company had:

loans granted in the amount of – PLN 49 110 thousand,

cash – PLN 19 657 thousand,

investment credit – PLN 40 000 thousand,

working capital facilities – PLN 37 406 thousand.

The decrease of interest rates will result in the decrease of revenue from the interest on the granted loans and free cash flow. This will be accompanied by the reduction of costs related to external financing. The increase of interest rates will stimulate the increase of proceeds from the granted loans and free cash flow. This will be accompanied by the increase of costs related to external financing.

Both the loans, cash and the investment credit are based on variable interest rate (WIBOR, WIBID), and their balance sheet values measured as of 31.12.2015 in terms of the assets and liabilities are close. Therefore, any potential changes of interest rates (both the increase and decrease) will not have a significant impact on the financial result.

SENSITIVITY TO EXCHANGE RATE RISKS	in thousand PLN	
	2015	2014
Exchange rate increase by 50 basis points		
Impact on the gross result	-43	-165

Currency Risk

EUR is the main currency used both in the exports and intra-community transactions. Considering the risk from EUR/PLN currency fluctuations, the Company uses natural hedging as its sales from individual periods are balanced by the purchases expressed or denominated in EUR. Additionally, the currency position is being constantly monitored. It happens that during a 2-3-week period it is open (short or long), however, its value is insignificant in relation to the turnover.

USD is another currency in which settlements are made. The currency position is being constantly monitored. In contrast to 2014, in 2015 its position was mostly characterized as open short position due to the increased USD purchases.

As of 31.12.2015, the sensitivity of balance sheet positions, expressed in EUR and USD, to currency risks is only slight in relation to the scale of the pursued activities. The currency-expressed receivables and liabilities were presented in 7c and 16b notes, respectively.

SENSITIVITY TO CURRENCY RISKS	in thousand PLN	
	2015	2014
PLN WEAKENING to USD & EUR by 5%		
Impact on gross result	4 824	3 065
PLN STREANGTHENING to USD & EUR by 5%		
Impact on gross result	-4 824	-3 065

Security accounting,

Due to the small value of the used derivatives, the Group does not keep security accounting. The balance sheet values of particular financial instruments should be considered fair because their valuation carried out by amortized cost (amortized purchase price), using the effective valuation method, showed insignificant differences.

8. Capital management

FINANCIAL LEVERAGE RATIO	in thousand PLN	
	2015	2014
Debt	77 406	121 315
Cash	-19 657	-38 280
Net Debt	57 749	83 035
Equity	1 554 115	1 547 862
Net Debt Relation to Equity	**3,72%**	**5,36%**

In 2015, the Company properly managed the capital, since the objectives associated also with liquidity were met. Basic ratios concerning capital structure and working capital management, as defined in the financial plan reached the expected values, which enabled the achievement of the Company's objectives, its smooth and reliable operation, and to raise funds for further development.

In the reporting period the increase of net profit per share was recorded, the maximization of which is a strategic goal for Stalprodukt. The net profit per share increased from PLN 4.08 in 2014 to PLN 17.26 in 2015.

Changes in equity for the years 2014 and 2015 are presented in the "Statement of changes in equity," which forms an integral part of the annual consolidated financial statements.

In 2015, there was a slight decrease in the share of equity in the financing of the Company. The equity ratio, calculated as the ratio of equity to total liabilities, increased and is taking out 0.83.

The ability to manage working capital increases profitability and reduces the risk of cash shortages. In this respect, the following activities of the Issuer should be noted in particular:

- The Parent Company manages the receivables by assessing the customers' financial standings, setting credit limits and securities, monitoring claims and collections, if any, in accordance with applicable procedures. The result of proper risk management in this regard is keeping overdue receivables at a minimum level

- The main objective of the Company's inventory management is to assess the costs and benefits and their balance. The measures to ensure the continuity and regularity of supply and diversification of sources of feedstock supply to the timely implementation of procurement and maintenance of stocks at an optimal level, are systematically taken.

- The Company maintained a substantial amount of cash on bank accounts, deposing them in profitable and safe short-term deposits, due to the need to finance current expenses resulting from operating activities, as well as the planned capital expenditures.

The proper management of capital is evidenced by the fact that the Group reached a satisfactory liquidity throughout the reporting period timely fulfilled its obligations with respect to the staff, budget and suppliers.

9. Other information and notes

Data on related companies

Transactions between the Company Stalprodukt and its subsidiaries rely on constant mutual provision of supplies and services necessary for current operations. These are typical and routine transactions concluded at arm's length within the Group and under the conditions resulting from current operations. Other significant transactions with related parties, namely the transfer of rights and obligations for valuable consideration and free of charge did not occur.

The parties are considered to be related if one of the parties has the ability to control another party or significantly influence operating and financial decisions taken by another party. To recognize a given entity as a related entity, the Company applies the principles defined in IAS 24, considering the nature of the relation and its impact on the entity's result and its financial standing.

Specification 2015	in thousand PLN			
	mutual claims and mutual		revenues and costs transaction liabilities	
	receivables	liabilities	revenues	costs
ZGH Bolesław S.A.		22		171
Anew Institute Sp. z o.o.				1 196
Stalprodukt-MB sp. z o.o.	32	1 753	300	3 281
Stalprodukt-Wamech sp. z o.o.	142	3 408	1 378	10 909
Stalprodukt-Centrostal sp. z o.o.	56 685		330 918	942
Stalprodukt-Serwis sp. z o.o.	69	2 301	710	8 630
Stalprodukt-Zamość sp. z o.o.	81	158	806	425
Stalprodukt-Ochrona sp. z o.o.	22	581	218	2 793
STP Elbud sp. z o.o.	318	2 031	3 337	13 725
Cynk-Mal S.A.	5 836		18 549	5 705

Specification 2014	in thousand PLN			
	mutual claims and mutual		revenues and costs transaction liabilities	
	receivables	liabilities	receivables	costs
ZGH Bolesław S.A.		33		144
Anew Institute Sp z o.o.				649
Stalprodukt-MB sp. z o.o.	80	2 088	376	3 737
Stalprodukt-Wamech sp. z o.o.	150	2 873	1 379	8 627
Stalprodukt-Centrostal sp. z o.o.	77 042	60	362 019	862
Stalprodukt-Serwis sp. z o.o.	80	5 288	789	19 393
Stalprodukt-Zamość sp. z o.o.	78	70	770	1 105
Stalprodukt-Ochrona sp. z o.o.	21	614	228	3 036
STP Elbud sp. z o.o.	319	3 526	3 241	18 899
Cynk-Mal S.A.	3 189		23 916	9 952

Moreover, in 2015 some transactions were also finalized with the entities in which the Company holds shares: Stalnet Sp. z o.o.- sales PLN 901 thousand, costs PLN 399 thousand; liabilities PLN 33 thousand; Stalprodukt-Profil S.A. sales PLN 856 thousand, receivables PLN 3 thousand. These were typical market transactions.

Differences between the consolidated report and the QSr_4/2015 report

In relation to the quarterly report QSr_4/2015, the book presentation of the Company's own shares purchased within the 1st tranch of the Program was changed. In the annual report, the shares were disclosed in short-term investments at their nominal value. The difference between the purchase price and the nominal value was transferred to the reserve capital, formed in accordance with the resolution of the Extraordinary General Meeting of Shareholders convened as of 17 November 2015.

Other information

1. In 2015, no activity conducted by the Issuer was abandoned.
2. During the reporting period the Company incurred capital expenditures of PLN 47,403 thousand, including expenditure on environmental protection PLN 5,859. Planned capital expenditures for 2016 amounts to about PLN 51,700 thousand. Capital expenditures shall be used to finance intangible fixed assets.
3. The average employment in occupational groups:
   - in 2015, total employment equalled 1,550 people, including 1,257 blue-collar and related workers, and 293 white-collar workers
   - in 2014, total employment equalled 1,513 people, including 1,221 blue-collar and related workers, and 292 white-collar workers
4. Remunerations, including awards, paid to managing and supervising staff in the Company amounted in the 2015 - PLN 3,706 thousand, and in the year 2014 - PLN 3,126 thousand, including the remuneration of the Management Board as appropriate: PLN 3,113 and PLN 2,658 thousand, and the remuneration of the Supervisory Board amounted to PLN 593 and PLN 468 thousand.

   Remuneration of the management and supervisory bodies of the Issuer for performing their functions in the governing bodies of subsidiaries amounted in the year 2015 - PLN 326 thousand, including managers PLN 248 thousand, and supervisors PLN 78 thousand, while in 2014 - PLN 326 thousand, including the managers PLN 235 thousand, and supervisors PLN 91 thousand.

5. Both, Stalprodukt S.A. and its subsidiaries did not give advances, credits, loans and guarantees or sureties to members of the Management Board and the Supervisory Board, except for loans from the Social Fund.

6. On 15 October 2015, the Company granted a surety to the issuer of a blank bill of exchange – the subsidiary company STP Elbud Sp. z o.o., securing an investment credit amounting to PLN 13 million, granted to the subsidiary company by Bank Pekao S.A. The repayment deadline falls on 31 December 2020.

7. 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 tranch 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 tranch will take place on 28 April 2016, i.e. after the present report has been approved for publication.

8. There were no significant events relating to previous years included in the annual financial statements as at 31.12.2015, which distort the picture of the activities of the financial year 2015.

9. After 31.12.2015, in addition to the information contained in this report and the report of the Management Board, there were no other events not included in the financial statements for the year 2015, which could materially affect the situation in the Company and its future financial results.

10. The financial statements and comparable financial data, adjusted for inflation, are not presented because the cumulative average inflation rate over the last three years of operation has not reached 100%.

11. The Issuer, as the Parent Company, draws up the consolidated financial statements under the full method, including all the subsidiaries therein.

12. These financial statements of Stalprodukt S.A. for 2015 was approved by the Management Board of the Company for publication on 26 April 2016.

28 April 2015

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Józef Ryszka	Piotr Janeczek
Member of the Board – Marketing Director	President of the Board – Chief Executive Officer