

**Independent Certified Auditor's Report  
on the audit of the Annual Financial Report  
of Stalprodukt Spółka Akcyjna  
for the reporting year from 1 January 2017 to 31 December 2017**

**Independent Certified Auditor's Report for the General Meeting of Shareholders, Supervisory Board and Management Board on the audit of the Annual Financial Report for the reporting year from 1 January 2017 to 31 December 2017 of Stalprodukt Spółka Akcyjna - joint stock company based in Bochnia**

**Report on the Audit of the Annual Financial Report**

We have carried out the audit of the enclosed Annual Financial Report of Stalprodukt Spółka Akcyjna based in Bochnia at ul. Wygody 69, 32-700 Bochnia consisting of :

- 1) introduction to the Financial Report,
- 2) balance sheet drawn up as of 31 December 2017 with assets and liabilities totalling **PLN 1 979 350 thousand**,
- 3) profit and loss account for the period from 1 January 2017 to 31 December 2017, showing net profit amounting to **PLN 100 054 thousand**,
- 4) statement of comprehensive Income for the period from 1 January 2017 to 31 December 2017, showing the comprehensive income amounting to **PLN 100 054 thousand**,
- 5) statement of changes in equity for the period from 1 January 2017 to 31 December 2017, showing an increase of equity amounting to **PLN 83 313 thousand**,
- 6) cash flow statement for the period from 1 January 2017 to 31 December 2017 showing an increase of cash amounting to **PLN 87 695 thousand**,
- 7) additional information and explanations.

**Company's Manager's and Supervising Auditors' Responsibility for the Financial Report**

The Management Board of Stalprodukt Spółka Akcyjna ("the Company") based in Bochnia is responsible for the preparation of the Financial Report on the basis of the correctly run accounting books and for its accurate presentation in accordance with the International Accounting Standards, International Financial Reporting Standards and the interpretations related thereto announced in the form of the European Commission Regulations and other applicable law provisions as well as with the Company's Articles of Association. The Company's Management Board is also responsible for the internal audit which is recognized by the Board as indispensable for the preparation of the Financial Report free from a material misstatement caused by a deception or error.

In accordance with the Accountancy Act, the Management Board and Members of the Stalprodukt S.A. Supervisory Board are obligated to ensure that the Financial Report shall meet the requirements provided for in the Accountancy Act.

**Certified Auditor's Responsibility**

Our task was to express our opinion on whether the Financial Report presents accurately and clearly the Company's assets, financial standing and financial result in accordance with the applicable International Accounting Standards, International Financial Reporting Standards and the interpretations related thereto announced in the form of the European Commission Regulations as well as with the adopted accounting principles (policy).

We have carried the audit of the Financial Report in line with the following provisions:

- 1) Certified Auditors, Auditing Companies and Public Supervision Act as of 11 May 2017 (Journal of Laws 2017, item 1089) ("Certified Auditors Act"),
- 2) National Financial Review Standards in the wording of the International Auditing Standards adopted in the Resolution No 2783/52/2015 of the Polish Council of Certified Auditors dated 10 February 2015 with subsequent amendments in connection with the Resolution No 2041/37a/2018 dated 5 March 2018 regarding the national standards for the profession,
- 3) The Regulation of the European Parliament and of the (EU) Council No 537/2014 as of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing the Commission's Decision No 2005/909/EC (EU Official Journal item 158 as of 27.05.2014, p. 77 and EU Official Journal item 170 as of 11.06.2014, p.66) ("Regulation 537/2014").

These regulations require observance of ethical requirements as well as planning and carrying out the audit in a way ensuring sufficient certainty that the Financial Regulation does not contain any material misstatements.

The goal of the audit was to get sufficient certainty as to whether the Financial Report in its entirety had been prepared on the basis of the correctly run accounting books and that the same does not contain any material misstatement caused by a deception or error, and to issue the Certified Auditor's Report containing our opinion. The sufficient certainty stands for the high level of certainty, but it does not guarantee that the audit carried out in accordance with the above mentioned standards will always detect an existing material misstatement. Such misstatements may occur due to a deception or error and are recognized as material ones if it can be rationally expected that, individually or jointly, they might affect the economic decisions taken on the basis of the Financial Report concerned. The risk of the non-detection of a material misstatement caused by a deception, is higher than the risk of the non-detection of a material misstatement caused by an error because the former may be combined with a collusion, forgery, fraud, intentional omissions, misleadings or evasion of internal inspection and may be concerned with any field of the law or regulation, not only the one directly affecting the Financial Report.

The audit consisted in conducting procedures aimed at obtaining the evidence as to the amounts and disclosures contained in the Financial Report. The selection of the auditing procedures depends on the Certified Auditor's judgement, including the assessment of the risk affecting the occurrence of the material misstatement in the Financial Report caused by a deception or error. Assessing the risk concerned, the Certified Auditor gives consideration to the activities of the internal audit in the scope referring to the preparation and accurate presentation of the Financial Report by Stalprodukt S.A., which is aimed at designing appropriate circumstances-tailored audit procedures, and not at expressing the Auditor's opinion on the effectiveness of the Company's internal audit. Such an audit also covers the assessment of the appropriateness of the adopted accounting principles (policy), the rationality of the estimated values assumed by the Company's Management Board, as well as the general assessment of the Financial Report presentation.

The scope of the audit neither includes any assurance on the future profitability of the audited Company, nor the efficiency or effectiveness of the activities pursued by the Company's Management Board or Supervisory Board managing the Company's affairs at present or in the future.

We believe that the audit evidence obtained by us constitutes a sufficient and adequate basis for us to issue our opinion based thereon. The opinion is coherent with the additional report prepared for the Audit Committee issued as of the date of the present Audit Report.

## Independence

While carrying out the audit, the key Certified Auditor and the auditing company remained independent of the Company in accordance with the Certified Auditors Act Regulation No 537/2017 and rules of professional ethics approved in the resolutions of the Polish Council of Certified Auditors.

In accordance with our best knowledge and belief, we declare that we have not rendered and non-audit services, which are forbidden by the provisions of art. 136 of the Certified Auditors Act and art. 5 par. 1 of the Regulation 537/2017.

## Selection of the Auditing Company

We were selected to carry out the audit of the Stalprodukt S.A. Financial Report by the Resolution No 34/X/2017 adopted by the Stalprodukt S.A. Supervisory Board on 19 May 2017. We have continued to audit the Company's financial reports since the reporting year concluded on 31 December 2014; i.e. for 4 (four) consecutive years.

## Most Significant Kinds of Risk

During the carried out audit, we identified the following, most significant kinds or risk leading to a material misstatement, including one caused by a deception and we developed appropriate procedures relating to these kinds of risk. In the cases, where we found it appropriate for the understanding of the identified risk and the audit procedures applied by the Certified Auditor, we also included our most important observations connected with such kinds of risk.

Description of the kind of risk leading to a material misstatement	Certified Auditor's procedures used in response to the identified risk
<b>Loss of value of financial assets</b>  The long-term financial assets account for 26.8% of the Company's total assets. In accordance with the accounting policy, the Company makes write-offs of the financial assets if the same have happened to lose their value. The accounting principles referring to the asset adjusting write-offs and additional information on the given balance sheet item have been presented in point 3 and in the notes referring to the particular types of assets. This issue has been recognized as a risk leading to a material misstatement due to the importance of the financial assets in the Company's total assets.	<p>Our procedures embraced:</p> <ul style="list-style-type: none"><li>- the assessment of the consistence of the applied accounting policy, referring to the recognition of the write-offs adjusting the value of the assets which lost their value, with the appropriate standards,</li><li>- understanding and assessment of the environment of the internal audit concerning the stock taking process, identification of the preconditions underlying the loss of value of the assets,</li><li>- analytical tests and detailed reliability tests in connection with the source documentation and explanations,</li><li>- analysis and reliability assessment of the loss-of-value tests presented by the Company,</li><li>- assessment of the indicators applied by the Company's Management Board and used in the loss-of-value tests carried out by the Company.</li></ul> <p>As a result of the conducted audit procedures we have not identified any significant issues that would require any adjustments.</p>

<p><b>Loss of value of the tangible assets</b></p> <p>Long-term financial assets account for 63.2% of the Company's total assets. In accordance with the accounting policy, the Company makes write-offs of its tangible assets if the same have happened to lose their value. The accounting principles referring to the asset adjusting write-offs and additional information on the given balance sheet item have been presented in point 3 and in the notes referring to the particular types of assets. This issue has been recognized as a risk leading to a material misstatement due to the importance of the financial assets in the Company's total assets.</p>	<p>Our procedures embraced:</p> <p>the assessment of the consistence of the applied accounting policy, referring to the recognition of the write-offs adjusting the value of the assets which lost their value, with the appropriate standards,</p> <ul style="list-style-type: none"> <li>- understanding and assessment of environment of the internal audit concerned with the stock taking process, identification of the preconditions determining the loss of the assets value,</li> <li>- analytical tests and detailed reliability tests in connection with the source documentation and explanations.</li> </ul> <p>As a result of the conducted audit procedures we have not identified any significant issues that would require any adjustments.</p>
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## Opinion

In our opinion the enclosed Financial Report:

- a) reflects accurately and clearly the Company's assets and financial standing as of 31 December 2017, as well as its financial result for the reporting year from 1 January 2017 to 31 December 2017, in accordance with the International Accounting Standards, International Financial Reporting Standards and interpretations related thereto announced in the form of the European Commission's Regulations and the adopted accounting principles (policy),
- b) was prepared on the basis of the correctly run accounting books, in accordance with the provisions of Chapter 2 of the Accountancy Act,
- c) stands in accordance as to its form and content with the applicable law provisions and provisions of the Company's Articles of Association.

## Report on Other Legal Requirements and Regulations

### Opinion on the Report on Activities

Our opinion on the Financial Report does not embrace the Report on Activities.

The Company's Management Board and Members of the Supervisory Board are responsible for the preparation of the Report on the Company's Activities in accordance with law provisions.

In accordance with the requirements of the Certified Auditors Act we were obligated to issue an opinion on whether the Report on the Company's Activities, except for its Part 3 "Non-Financial Statement", had been prepared in line with law provisions and whether it stands in accordance with the information contained in the Annual Financial Report. We were also obligated to make a statement, in the light of our knowledge on the Company and its environment acquired during the audit of the Financial Report,

on whether we had detected in the Report on the Company's Activities any material misstatements and indicate what each such misstatements consisted in.

In our opinion, the Report on the Company's Activities was prepared in accordance with the applicable law provisions and stands in accordance with the information contained in the enclosed Annual Financial Report. Moreover, we declare that, in the light of our knowledge about the Company acquired during the audit of the Financial Report, we did not detect any material misstatements in the Report on the Company's Activities.

### **Opinion on the Corporate Governance Declaration**

The Company's Management Board and Members of the Supervisory Board are responsible for the preparation of the Declaration on Corporate Governance in accordance with law provisions.

In connection with the carried out audit of the Financial Report we had a duty, in accordance with the Certified Auditors Act, to issue our opinion on whether the Issuer obligated to make a Declaration on Corporate Governance, accounting for a separate part of the Report on the Company's Activities, contained therein all the information required by the law provisions and, in respect of the specific information indicated in such provisions or rules, contained a declaration on whether or not the same stand in accordance with the applicable regulations and information items contained in the Annual Financial Report.

In our opinion, in its Declaration on Corporate Governance, the Company contained the information provided for in paragraph 91 subpar. 4 point 4 of the Regulation of the Minister of Finance as of 19 February 2009 on current and periodic information disclosed by issuers of securities and conditions governing recognition of equivalent information required by non-member states (Journal of Laws 2014, item 133 with subsequent amendments) ("Regulation"). The information indicated in paragraph 91 subpar. 5 point 4 of the Regulation and contained in the Declaration on Corporate Governance comply with the applicable law provisions and information contained in the Financial Report.

### **Information on the Preparation of the Non-Financial Statement**

In accordance with the requirements of the Certified Auditors Act, we inform that the Company prepared the Non-Financial Statement as a separate part of the Report on the Company's Activities.

Janina Bilat, Certified Auditor No 222

Key Certified Auditor carrying out the audit in the name of the auditing company:  
Accord'ab Biegli Rewidenci Spółka z o. o.  
ul. Grabiszyńska 241, 53-234 Wrocław.

The auditing company authorized to carry out audits of financial reports No 262

Wrocław, this day 26 April 2018