



Stalprodukt S.A.
Financial Statement of Stalprodukt S.A.
for Year 2016

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

Bochnia, April 2017

Selected financial data

SELECTED FINANCIAL DATA	thousands of PLN		thousands of EUR	
	2016	2015	2016	2015
I. Net sales of products, goods and materials	1 268 023	1 347 626	289 787	322 029
II. Operating profit (loss)	120 555	146 788	27 551	35 076
III. Profit (loss) before taxation	117 653	134 528	26 888	32 147
IV. Net profit (loss)	95 731	108 661	21 878	25 966
V. Net cash flow from operating activities	102 096	190 484	23 333	45 518
VI. Net cash flow from investment activities	-39 200	-58 295	-8 959	-13 930
VII. Net cash flow from financial activities	-63 477	-150 812	-14 507	-36 038
VIII. Total net cash flow	-581	-18 623	-133	-4 450
IX. Total assets	1 963 236	1 871 923	443 769	439 264
X. Liabilities and provisions for liabilities	511 548	317 808	115 630	74 577
XI. Long-term liabilities		20 000		4 693
XII. Short-term liabilities	455 925	253 054	103 057	59 381
XIII. Shareholders' equity	1 451 688	1 554 115	328 139	364 687
XIV. Share capital	11 161	13 450	2 523	3 156
XV. Number of shares	5 580 267	6 725 000	5 580 267	6 725 000
XVI. Profit (loss) per ordinary share (PLN)	17,16	17,26	3,92	4,12
Diluted profit (loss) per ordinary share (PLN)				
XVII. Book value per share (PLN)	260,15	231,10	58,80	55,22
Diluted book value per share (PLN)				
XVIII. Declared or paid-out dividend for one share in (PLN/EUR)	3,00	2,00	0,69	0,48

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:

- rate of exchange at end of 2016 and 2015, 4.4240 and 4.2615 respectively
- the average rate, calculated as the arithmetical average of the exchange rates valid on the last day of each month of the year 2016 and 2015, 4.3757 and 4.1848 respectively
- the lowest rate for 2016 and 2015, 4.2355 and 3.9822 respectively
- the highest rate in 2016 and 2015, 4.5035 and 4.3580 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 31.12.2016 and amounting to 4.4240 and 4.2615 as at 31.12.2015 (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 4.3757 for the year 2016 and 4.1848 for the year 2015 (section 1b).

3. For profit-per-share calculation the number of 5,580,267 shares was adopted.

4. In item XVIII the dividend-per-share level was presented, as disbursed by the Issuer in 2016 in respect of 2015.

Bochnia, 27 April 2017

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Józef Ryszka
Member of the Board
– Marketing Director

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Łukasz Mentel
Member of the Board
– Financial Director

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Piotr Janeczek
President of the Board
– Chief Executive Officer

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2016

BALANCE SHEET	Notes	thousands of PLN	
		2016	2015
Assets			
I. Fixed assets		1 357 906	1 404 663
1. Intangible fixed assets, including	1	41 696	43 137
- right of perpetual land use		36 080	36 080
2. Tangible fixed assets	2	857 199	863 910
3. Long-term receivables	3		
4. Long-term investments	4	457 746	495 647
4.1. Real estate investments		96 781	99 993
4.2. Intangible assets			
4.3. Long-term financial assets		360 965	395 654
4.4. Other long-term investments			
5. Long-term prepayments		1 265	1 969
5.1. Deferred income tax assets	5	1 265	1 969
5.2. Other prepayments			
II. Current assets		605 330	467 260
1. Inventories	6	268 106	224 308
2. Short-term receivables	7	266 863	214 444
- including trade receivables in excess of 1 year		952	1 752
3. Short-term investments		60 892	21 513
3.1. Short-term financial assets	8	60 676	21 513
a) loans		41 600	1 000
b) short-term securities			856
c) cash and cash equivalents		19 076	19 657
3.2. Other short-term investments		216	
4. Short-term prepayments	9	9 469	6 995
Total assets		1 963 236	1 871 923
Liabilities and Shareholder's Equity			
I. Shareholders' Equity		1 451 688	1 554 115
1. Share capital	10	11 161	13 450
2. Own shares (stakes) (negative value)			
3. Reserve capital	11	104 184	104 184
4. Reserve capital from revaluation	12		3 166
5. Other reserve capital	13	1 240 612	1 324 654
6. Retained earnings (losses)			
7. Net profit (loss)		95 731	108 661
II. Liabilities and provisions for liabilities		511 548	317 808
1. Provisions for liabilities	14	50 035	39 530
1.1. Provision for deferred income tax		43 049	33 439
1.2. Other provisions		6 986	6 091
a) long-term		5 044	5 201
b) short-term		1 942	890
2. Long-term liabilities	15		20 000

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2016

2.1. Long-term credits and loans			20 000
2.2. Other long-term liabilities			
3. Short-term liabilities	16	455 925	253 054
3.1. Short-term credits and loans		189 974	37 406
3.2. Current part of long-term credits and loans		25 000	20 000
3.3. Trade liabilities		202 495	155 608
- including trade receivables in excess of 1 year		1 831	2 547
3.4. Income tax liabilities		11 589	14 876
3.5. Other short-term liabilities		26 867	25 164
4. Accruals	17	5 588	5 224
Total liabilities		1 963 236	1 871 923

Book value		1 451 688	1 554 115
Number of shares		5 580 267	6 725 000
Book value per share (PLN)	18	260,15	231,10
Diluted number of shares			
Diluted book value per share (PLN)			

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FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2016

PROFIT AND LOSS ACCOUNT	Notes	thousands of PLN	
		2016	2015
I. Net sales of products, goods and materials, including:		1 268 023	1 347 626
1. Net sales of products	19	1 225 590	1 300 819
2. Net sales of goods and materials	20	42 433	46 807
II. Costs of products, goods and materials sold, including:		1 077 135	1 117 433
1. Production cost of products sold	21	1 036 379	1 068 059
2. Value of goods and materials sold		40 756	49 374
III. Gross profit (loss) on sales		190 888	230 193
IV. Selling costs		33 198	37 579
V. General and administrative costs		38 615	39 268
VI. Profit (loss) on sales		119 075	153 346
VII. Other operating incomes	22	11 877	6 019
VIII. Other operating costs	23	10 397	12 577
IX. Operating profit (loss)		120 555	146 788
X. Financial incomes	24	2 742	3 855
XI. Financial costs	25	5 644	16 115
XII. Profit (loss) before taxation		117 653	134 528
XIII. Income tax	26	21 922	25 867
XIV. Net profit (loss)	27	95 731	108 661

Net profit (loss)		95 731	108 661
Weighted average number of ordinary shares		5 580 267	6 725 000
The weighted average number of ordinary shares adjusted against own shares		5 580 267	6 296 867
Profit (loss) per ordinary share (PLN)	28	17,16	17,26

TOTAL COMPREHENSIVE INCOME	thousand x PLN		
	Notes	2016	2015
Net result		95 731	108 661
Differences from evaluation			
Total Comprehensive Income		95 731	108 661

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FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2016

Statement of changes in equity for the period from 1st January to 31st December 2016 and 2015	thousands of PLN							
	Share capital	Own shares	Supplementary capital	Revaluation reserve	Other reserve capital	Retained profits	Current year net profit	Equity TOTAL
As of 1.01.2016 (opening balance)	13 450	0	104 184	3 166	1 324 654	108 661		1 554 115
Profit distribution					90 508	-90 508		0
Intercapital transfer				-3 166	3 166			0
Financing the purchase of the Company's own and redeemed shares					-177 716			-177 716
Dividend						-18 153		-18 153
Redemption of own shares	-2 289							-2 289
Total comprehensive income for period 1.01 - 31.12.2016							95 731	95 731
As of 31.12.2016 (closing balance)	11 161	0	104 184	0	1 240 612	0	95 731	1 451 688
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
Financing the purchase of the Company's own shares					-88 883			-88 883
Dividend						-13 664		-13 664
Total comprehensive income for period 1.01 - 31.12.2015							108 661	108 661
Balance on this 31.12.2015 (closing balance)	13 450	0	104 184	3 166	1 324 654	0	108 661	1 554 115

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FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2016

CASH FLOW STATEMENT	thousands of PLN	
	2016	2015
A. Cash flow from operating activities – indirect method		
I. Net profit (loss)	95 731	108 661
II. Total adjustments	6 365	81 823
1. Depreciation	49 912	47 064
2. (Profit) loss from exchange rate fluctuations		
3. Interest and profit share (dividends)	1 377	1 337
4. (Profit) loss on investment activities	1 154	-2 802
5. Change in reserves	10 505	7 923
6. Change in inventories	-43 797	60 774
7. Change in receivables	-52 419	-6 015
8. Change in short-term liabilities except for loans and credits	45 303	-33 479
9. Change in accruals	-1 406	-3 776
10. Other adjustments	-4 264	10 797
III. Net cash flow from operating activities	102 096	190 484
B. Cash flow from investment activities		
I. Inflows	3 784	6 516
1. Sales of intangible and tangible fixed assets	635	3 213
2. Sales of real estate properties and intangible assets		
3. From financial assets, including:	3 149	3 302
- financial assets sold		
- dividends and profit share received		
- repayments of long-term loans granted		
- interest received	2 149	2 302
- other inflows from financial assets	1 000	1 000
4. Other investment inflows		
II. Outflows	-42 984	-64 811
1. Purchase of intangible and tangible fixed assets	-36 073	-47 721
2. Real estate property and intangible assets		
3. To financial assets, including:	-6 311	-17 090
- financial assets purchased	-6 311	-17 090
- long-term loans granted		
4. Other investment outflows	-600	
III. Net cash flow from investment activities	-39 200	-58 295
C. Cash flow from financial activities		
I. Inflows	137 569	
1. Net inflows from issue of shares, other capital instruments or capital receipts		
2. Credits and loans	137 569	
3. Issue of debentures		
4. Other financial inflows		
II. Outflows	-201 046	-150 812
1. Purchase of own shares	-179 150	-89 600

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2016

2. Dividends and other dues paid to shareholders	-18 154	-13 663
3. Outflows from profit distribution, other than dues paid to shareholders		
4. Credits and loans repaid		-43 909
5. Redemption of debentures		
6. From other financial liabilities		
7. Contractual payments of financial lease dues		
8. Interest paid	-3 526	-3 640
9. Other financial outflows	-216	
III. Net cash flow from financial activities	-63 477	-150 812
D. Total net cash flow	-581	-18 623
E. Balance sheet change in cash	-581	-18 623
F. Cash (beginning of period)	19 657	38 280
G. Cash (end of period)	19 076	19 657

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Cash at beginning of the reporting period represent the amount of PLN 19,657 thousand, including cash at hand PLN 102 thousand, on bank accounts PLN 19,555 thousand, and at the end of the reporting period PLN 19,076 thousand, including PLN 41 thousand cash at hand and PLN 19,035 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 enterprise. 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 2016, and comparable financial data for the year 2015.

Composition of Management Board's and Supervisory Board

In the period from 01 January 2016 to 28 July 2016, the Stalprodukt Management Board was composed of:

Piotr Janeczek	- President of the Board
Józef Ryszka	- Member of the Board

In the period from 28 July 2016 to 31 December 2016, the Stalprodukt Management Board was composed of:

Piotr Janeczek	- President of the Board
Józef Ryszka	- Member of the Board
Łukasz Mentel	- Member of the Board

In the period from 1 January 2016 to 20 June 2016, 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

In the period from 20 June 2016 to 31 December 2016, 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
Magdalena Janeczek	- 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 31.12.2016 r. the shareholders entitled to above 5 % of votes at the General Meeting of Shareholders:

- STP Investment S.A. holding 1 828 619 shares, accounting for 32.77 % of capital share and 5 870 991 votes, accounting for 48.13 % of the total number of votes at the General Meeting of Shareholders.
- Stalprodukt-Profil S.A., holding 621 719 shares, accounting for 11.14 % of capital share and 1 137 555 votes, accounting for 9.33 % of the total number of votes at the General Meeting of Shareholders.
- ArcelorMittal Sourcing a société en commandite par actions holding 1 066 100 shares, accounting for 19.10 % of capital share and 1 066 100 votes, accounting for 8.74 % of the total number of votes at the General Meeting of Shareholders.

Moreover, on 30 June 2016 an agreement was concluded concerning the purchase of Stalprodukt's own shares and consensual voting at the Company's General Meetings as well as pursuing a common policy in respect of the Company. The Shareholders who concluded this agreement are:

- STP Investment S.A. holding 1 828 619 shares, accounting for 5 870 991 votes at the General Meeting of Shareholders,
- Stalprodukt Profil S.A. holding 621 719 shares, accounting for 1 137 555 votes at the General Meeting of Shareholders,
- Stalnet Sp. z o.o. holding 169 565 shares, accounting for 417 573 votes at the General Meeting of Shareholders,
- Piotr Janeczek holding 115 053 shares, accounting for 574 913 votes at the General Meeting of Shareholders,

As of 31.12.2016, the shareholders, who concluded the agreement, jointly held 2 734 956 shares, accounting for 49.01 % of their capital share and 8 001 032 votes, accounting for 65.59 % of the total number of votes at the General Meeting of Shareholders.

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 Recycling 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 company	full consolidation at the level of ZGH Capital Group	01.03.2004	100,00	100,00

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2016

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.	Warszawa	distribution of construction woodwork	Stalprodukt Zamość Sp. z o.o. subsidiary company	full consolidation	31.12.2015	71,43	71,43
17.	Przedsiębiorstw o 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	19,68	19,68
19.	Stalprodukt-Profil S.A.	Bochnia	trade of metallurgical products	Stalprodukt S.A. subsidiary company	not applicable	not applicable	16,00	16,00
20.	StalNet Sp. z o.o.	Kraków	Internet commerce	Stalprodukt S.A. subsidiary company	not applicable	not applicable	19,50	19,50
21.	STP Investment S.A.	Bochnia	financial activity	personal	not applicable	not applicable	0,00	0,00

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 2015, 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 2016:

- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations – approved by the EU on 24 November 2015
- Amendments to IAS 1 "Presentation of Financial Statements" – Initiative Concerning Disclosures – approved by the EU on 18 December 2015
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Clarification of Acceptable Methods of Depreciation and Amortization – approved by the EU on 2 December 2015
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 Intangible Assets "Agriculture" – Plants – approved by the EU on 23 November 2015
- 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

- 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
- 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
- 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.

The above standards, interpretations and amendments to standards did not have a significant impact on the to-date accounting policy applied by the Company or presentation of its financial reports.

Already published standards and interpretations.

While preparing the present Financial Report, the Company has not applied the following standards, amendments to standards and interpretations, which have been published by IASB and approved for use in the EU:

- 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).
- IFRS 9 “Financial Instruments” (applicable for the annual periods starting on or after 1 January 2018),
- 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 the annual periods starting on or after 1 January 2019:
- IFRS 2 “Share-Based Payment” – Classification and Measurement of Share-Based Payment Transactions - applicable for the annual periods starting on or after 1 January 2018,

- IFRS 4: application of IFRS 9 "Financial Instruments" in combination with IFRS 4 "Insurance Contracts" - applicable for the annual periods starting on or after 1 January 2018.

The Company decided not to use the opportunity of earlier application of the above standards, amendments to standards and interpretations. According to the Company's estimates, the above standards interpretations and amendments to standards would not have had a significant impact on the Financial Report if the same had been applied as of the balance sheet day.

3. Notes

NOTE 1a - INTANGIBLE ASSETS	thousands of PLN	
	2016	2015
1. concessions, patents, licenses and similar	653	854
a) computer software	595	597
2. right of perpetual land use	36 080	36 080
3. other intangible assets	4 963	6 203
Intangible assets, total	41 696	43 137

1b NOTE - Changes of intangible assets (by group type)							
thousands of PLN							
	a	b	c		d	e	Intangible assets, total
	cost of completed developmental works	goodwill	concessions, patents, licenses and similar values, including:		other intangible assets	advance payments for intangible assets	
				- computer software			
I. gross value of intangible assets at the beginning of the period			4 767	1 240	6 203	36 080	47 050
1. increase (due to)			85	57			85
- purchase			85	57			85
- value from valuation survey							
2. decrease (due to)			1 105	156			1 105
- liquidation			1 105	156			1 105
- sales							
II. gross value of intangible assets at the end of the period			3 747	1 141	6 203	36 080	46 030
1. accumulated depreciation (amortization), at the beginning of the period			3 913	643			3 913
2. depreciation for the period (due to)			-819	-97	1 240		421
- depreciation allocated to the costs			286	59	1 240		1 526
- decrease due to liquidation			1 105	156			1 105
III. accumulated depreciation (amortization) at the end of the period			3 913	546	1 240		4 334
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			653	595	4 963	36 080	41 696

All intangible assets are owned by the Company Stalprodukt. The Company does not rent or lease intangible assets.

NOTE 2a - TANGIBLE FIXED ASSETS	thousands of PLN	
	2016	2015
1. fixed assets, including:	804 147	834 250
a) land	18 927	18 927
b) buildings, premises, civil engineering objects	202 482	210 497
c) plants and machinery	576 688	599 283
d) means of transport	1 715	1 666
e) other fixed assets	4 335	3 877
2. fixed assets under construction	53 052	29 660
Tangible fixed assets, total	857 199	863 910

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 25 000 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. The decrease of the sales volumes of all the products in relation to 2015 was slight reaching only 0.4 %.

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	18 927	339 590	836 276	6 180	6 180	1 207 153
1. increase (due to)		8 784	6 418		605	15 807
a) investment		5 572	6 313		605	12 490
b) expert's appraisal value						
c) change of status of long-term investments		3 212				3 212
d) change of spare parts included in fixed assets in accordance with IAS			105			105
2. decrease (due to)		3 391	10 706	1 798	705	16 600
a) sale			1	284		285
b) liquidation		3 332	1 899		52	5 283
c) reclassification to equipment			153	2	110	265
d) revaluation		59	8 650	1 512	536	10 757
e) inventory differences			3		7	10
II. gross value of fixed assets at the end of the period	18 927	344 983	831 988	4 382	6 080	1 206 360
1. accumulated depreciation (amortization), at the beginning of the period		129 093	236 993	4 514	2 303	372 903
2. depreciation for the period (due to)		13 408	18 307	-1 847	-558	29 310
a) depreciation included in costs		15 155	32 561	327	342	48 385
b) reduction due to sale			1	283		284
c) reduction due to liquidation		1 628	1 804		18	3 450
d) reduction due to inventory shortages			1		6	7

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e) decrease in respect of the reclassification			201	2	110	313
f) decrease in respect of revaluation		119	12 247	1 889	766	15 021
III. accumulated depreciation (amortization) at the end of the period		142 501	255 300	2 667	1 745	402 213
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	202 482	576 688	1 715	4 335	804 147

NOTE 2c - BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)	thousands of PLN	
	2016	2015
1. own assets	804 147	834 250
Total balance sheet fixed assets	804 147	834 250

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

NOTE 4 - LONG-TERM INVESTMENT (ACC. TO TITLES)	thousands of PLN	
	2016	2015
1. investment properties	96 781	99 993
2. long-term financial assets	360 965	395 654
a) stocks and shares	353 855	347 544
b) long-term loans	7 110	48 110
Long-term investment, total	457 746	495 647

NOTE 4a - CHANGE OF STATUS OF REAL ESTATE INVESTMENT	thousands of PLN	
	2016	2015
1. balance at the beginning of the period	99 993	103 915
2. increases (due to)	560	
a) investment	560	
3. decreases (due to)	3 772	3 922
a) amortization	3 750	3 848
b) liquidation of facilities	22	74
c) reclassification to fixed assets		
4. balance at the end of the period	96 781	99 993

Investment properties constitute fixed assets including: the right of perpetual usufruct of land (PLN 18,816 thousand), buildings and structures (PLN 77,965 thousand), leased to subsidiaries and external entities. These properties are not intended for sale. Total revenues from rent for the year 2016 amounted to PLN 7,868 thousand, while the costs associated with these real properties are estimated approximately at PLN 6,765 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.

NOTE 4b – LONG-TERM FINANCIAL ASSETS (OWNERSHIP STRUCTURE)	thousands of PLN	
	2016	2015
1. in subsidiaries	360 846	355 535
a) shares	353 736	347 425
b) loans granted	7 110	8 110
2. in other entities	119	40 119
a) shares	119	119
b) loans granted		40 000
Long-term financial assets, total	360 965	395 654

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) loans repaid	1 000	
c) reclassification of loans from long- to short-term ones		
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 94.56% as of 31.12.2016.

Additionally, on 1 July of 2016 Sale Agreements were concluded in respect of the shares issued by Cynk-Mal S.A. between the Issuer and the Shareholders, i.e. Mr. Marek Picz and Mr. Andrzej Czekajło. The object of the Agreements concerned was the repurchase of 9 891 000 shares for the price of PLN 3 956 400 (in words: three milion nine hundred fifty-six thousand four hundred zlotys), i.e. PLN 0.40 per share. The shares, being the object of the Agreement, account for 49% of the share capital. As a result of the transaction the Issuer holds 100% of shares in the subsidiary company.

Taking up the shares is connected with the capital increase in the subsidiary company - Anew Institute Sp. z o.o. occurred on 19 February 2016. The capital increase amounted to PLN 1 984.4 thousand and was entirely covered by the Company with a cash contribution.

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	

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8.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008	36 916	0	36 916	100	100	
9.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	14 729	695	14 034	100	100	
10.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	274 168	0	274 168	94,56	94,56	

NOTE 3d – ISSUER'S STOCKS OR SHARES IN SUBSIDIARY COMPANIES

thousand x PLN																		
a		m						n			o			p	r	s	t	
No	name of entity	Equity of the unit, including:						Liabilities and provisions for liabilities of the unit, including:			Receivables of the unit, including:			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	
			- share capital	- calledup share capital (negative value)	- supplement ary capital	Other equity, including:				-long-term liabilities	- short-term liabilities		- long-term receivables					- short-term receivables
							Previous years' profit (loss)	Net profit (loss)										
1.	Stalprodukt-MB sp. z o.o.	5 017	2 604			2 413	212	483		483	1 787		1 787	5 500	3 825			
2.	Stalprodukt-Wamech sp. z o.o.	11 201	1 200			10 001	1 102	3 625		2 776	4 180		4 180	14 826	18 935			
3.	Stalprodukt-Centrostal sp. z o.o.	21 800	10 797			11 003	-16 733	15 661	88 438	88 095	63 417		63 417	110 238	355 771			
4.	Stalprodukt-Serwis sp. z o.o.	3 988	900			3 088	-1 742	747	8 610	6	3 674	2 918	2 918	12 597	11 810			
5.	Stalprodukt-Zamość sp. z o.o.	22 140	2 450			19 690		2 257	7 520	361	6 510	5 611	5 611	29 660	50 753			
6.	Stalprodukt-Ochrona sp. z o.o.	1 784	600			1 184		29	597		597	858	858	2 381	4 701			
7.	STP-Elbud sp. z o.o.	57 110	20 613			36 497		-1 771	21 304	7 791	12 539	24 096	24 096	78 414	102 079			
8.	Cynk-Mal S.A.	23 482	20 191		22 496	-19 205	-21 016	1 811	39 058	7 212	24 915	4 641	4 641	62 540	50 536			
9.	Anew Institute sp. z o.o.	10 608	14 034		77	-2 503	-2 624	-901	2 883		734	809	809	13 491	1 720			
10.	ZGH "Bolesław" S.A.	550 839	166 116		336 812	47 911	1 190	101 602	601 648	99 599	305 625	227 289	227 289	1 152 487	990 763			

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2016

NOTE 4 f – Shares in other entities										
	thousand x PLN									
	a	b	c	d	e		f	g	h	i
					equity of the unit, including:					
						- share capital				
No	Name (company) of the entity, indicating its legal form	Seat	Object of the enterprise	Book value of shares			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	
	2016	2015
1. Balance of assets due to deferred income tax, at the beginning of the period, including:	1 969	1 701
a) attributed to the financial result	1 969	1 701
b) attributed to equity		
2. Increases	962	1 757
a) attributed to financial result of the period in respect of deductible temporary differences (due to)	962	1 757
- appearance of temporary differences	962	1 757
b) attributed to equity in respect of negative temporary differences (due to)		
3. Decreases	1 666	1 489
a) attributed to financial result of the period in respect of negative temporary differences (due to)	1 666	1 489
- reversal of temporary differences	1 666	1 489
- 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:	1 265	1 969
a) attributed to the financial result	1 265	1 969
b) attributed to equity		

NOTE 5a – The amounts of negative temporary differences by main groups of assets and liabilities	thousands of PLN	
	2016	2015
1. inventory (materials and products)	225	3 615
2. receivables	1 003	1 003
3. liabilities for employee benefits	4 738	4 433
4. liabilities due to the purchase of energy origin certificates and others	690	1 311
Total negative temporary differences	6 656	10 362
Tax rate	19%	19%
Assets due to deferred income tax	1 265	1 969

NOTE 6 – Inventory	thousands of PLN	
	2016	2015
1. materials	153 042	120 129
2. semi-finished products and work in progress	56 228	58 286
3. finished products	50 874	43 085
4. goods	7 962	2 808
Inventory, total	268 106	224 308

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 due to impairment of value was made on finished products to the net realizable value. The value of the write-down amounted to 225 thousand PLN. Advances for deliveries demonstrated in receivables for deliveries and services. The value of advances for deliveries as at 31.12.2016 amounts to 13 099 thousand PLN.

NOTE 7a – Short-term receivables	thousand x PLN	
	2016	2015
1. from related parties	81 416	62 180
a) trade receivables, maturing:	81 416	62 180
- up to 12 months	81 416	62 180
- above 12 months		
2. receivables from other entities	185 447	152 264
a) trade receivables, maturing:	172 719	131 978
- up to 12 months	171 767	130 226
- above 12 months	952	1 752
b) receivables from tax, subsidy, customs, social security and other benefits	6 012	14 496
c) other	6 716	5 790
Net short-term receivables, total	266 863	214 444
a) write-downs of receivables	2 325	2 078
Gross short-term receivables, total	269 188	216 522

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	
	2016	2015
Balance at the beginning of the period	2 078	2 003
1. increase (due to)	631	1 533
a) provision for doubtful receivables	631	1 533
2. decrease (due to)	384	1 458
a) cancellation	276	289
b) adjustment	6	97
c) payment	102	1 072
Balance of short-term receivables write-downs at the end of the period	2 325	2 078

NOTE 7c – Gross short-term receivables (currency structure)	thousands of PLN	
	2016	2015
1. in Polish currency	143 232	106 260
2. in foreign currencies (according to currencies converted into PLN)	125 956	110 262
a) in EURO	20 764	20 700
converted into PLN	91 085	88 509
b) in USD	8 389	5 445
converted into PLN	34 871	21 753
Short-term receivables, total	269 188	216 522

NOTE 7d – Trade receivables (gross) – maturing as at the balance day:	thousands of PLN	
	2016	2015
up to 1 month	103 868	99 193
above 1 month up to 3 months	125 950	63 927
above 3 months up to 6 months		
above 6 months up to 1 year		
above 1 year		
overdue receivables	26 642	33 116
Trade receivables, total (gross)	256 460	196 236
trade receivables write-downs	2 325	2 078
Trade receivables, total (net)	254 135	194 158

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	
	2016	2015
up to 1 month	18 535	28 245
above 1 month up to 3 months	4 560	1 441
above 3 months up to 6 months	738	1 869
above 6 months up to 1 year	295	162
above 1 year	2 514	1 399
Trade receivables, total (gross)	26 642	33 116
trade receivables write-downs	2 325	2 078
Trade receivables, total (net)	24 317	31 038

Out of the total amount of gross short-term receivables, i.e. 269,188 thousand PLN, overdue receivables amount to PLN 26,642 thousand. Disputable overdue receivables did not occur. Overdue receivables only apply to trade receivables. Out of the overdue receivables, only the amount of 2,325 thousand PLN was covered by write-downs.

NOTA 8a - KRÓTKOTERMINOWE AKTYWA FINANSOWE	thousands of PLN	
	2016	2015
1. loans granted	41 600	1 000
a) loans granted in subsidiaries	1 600	1 000
b) loans granted in other units	40 000	
2. cash and other pecuniary assets	19 076	19 657
a) cash in hand and at bank	19 076	19 657
3. own shares		856
a) own shares within the first tranche		856
Short-term financial assets, total	60 676	21 513

The granted loans are also concerned with long-term loans with an annual repayment period. A loan amounting to PLN 600 thousand was granted on 28 December 2016. The loan was granted for the period of three months.

NOTE 8b – Cash and equivalents (currency structure)	thousands of PLN	
	2016	2015
1. in Polish currency	2 195	4 939
2. in foreign currencies (according to currencies converted into PLN)	16 881	14 718
a) in Euro	755	2 174
converted into thousand PLN	3 333	9 232
b) in USD	3 266	1 416
converted into thousand PLN	13 548	5 486
Cash and other pecuniary assets, total	19 076	19 657

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	
	2016	2015
1. active cost accruals, including:	9 469	6 995
a) costs of insurance and subscription	122	119
b) costs of fair organized in 2016		46
c) staged repairs	9 253	6 748
d) other	94	82
Short-term accruals, including:	9 469	6 995

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 2 550 thousand, including the ones concerning receivables PLN 2 325 thousands and finished products PLN 225 thousand.

During the reporting period there was made a write-off in the amount of PLN 225 thousand in scope of inventories of finished products and a write-off from the previous year was dissolved in the amount of PLN 3 615 thousand, in connection with sale of the products covered by the write-off. The revaluation write-off for materials amounting to PLN 5 103 thousand was released due to selling the same as the same as scrap. Write-off due to impairment of doubtful receivables was made in the amount of PLN 631 thousand and a part of the previous write-downs in the amount of PLN 384 thousand, in connection with payment of receivables, cancellation and adjustments.

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NOTE 10 - Share capital of the parent company (structure)								
thousand x 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		71 663	143 326	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		281 030	562 060	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		1 301 874	2 603 748	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				5 580 267				
Share capital, total					11 160 534			
Nominal value of one share (in PLN)		2,00						

Preference as to assets means that in the case the Company is liquidated, the assets remaining after the creditors have been satisfied, primarily serve to cover the nominal amount in respect of all the shares, and the rest of the assets are equally distributed to cover the preference shares. By the Resolution No XXXIII/13/2016 adopted by the General meeting of Shareholders, the share capital was decreased from PLN 13 450 000 to PLN 11 160 534, i.e. by the amount of PLN 2 289 466. The decrease resulted from the redemption of 1 144 733 shares. On 1 July 2016, the Issuer's Management Board received information on the registration of the share capital decrease by the District Court for Kraków-Śródmieście in Kraków 12th Economic Department of the National Court Register which took place on 28 June 2016. After the registration of the share capital decrease the general number of shares amounts to 5 580 267 items, which accounts for 12 198 535 votes at the General Meeting of Shareholders attributable to all the shares.

NOTE 11– Supplementary capital	thousands of PLN	
	2016	2015
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	
	2016	2015
1. from revaluation of fixed assets		3 166
Revaluation reserve, total	0	3 166

NOTE 13 – Other reserve capitals (by appropriation)	thousands of PLN	
	2016	2015
1. reserve capital for investments	1 177 467	1 131 392
2. reserve capital for financing of current assets	12 145	12 145
3. other reserve capital	51 000	181 117
Revaluation reserve, total	1 240 612	1 324 654

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 20 June 2016, the General Meeting adopted the Resolution No XXXIII/18/2016, granting the Company an authorization within the meaning of Art. 365 par. 1 subpar. 8 to purchase

its own shares with a view to redemption. The maximum number of shares which can be purchased by the Company within the Program equals 200 000 items. The single share purchase price is PLN 250.00. The purchase refers to registered preference shares of A, B and E series. The value of the Program enlarged by the purchase costs equals PLN 51 million. The purchase of the shares may take place within the deadlines and under the terms and conditions defined by the Company's Management Board within two years starting from the time when the Resolution No XXXIII/18/2016 was adopted.

NOTE 14 a - CHANGE IN THE BALANCE OF RESERVE FOR DEFERRED INCOME TAX	thousands of PLN	
	2016	2015
1. The balance of deferred income tax, at the beginning of the period, including:	33 439	24 400
a) attributed to financial result (due to)	33 439	24 400
- difference between balance and taxable amortization	33 439	24 400
- investment allowance		
b) attributed to equity		
- for revaluation of fixed assets		
2. Increases	9 610	9 039
a) attributed to the financial result due to positive temporary differences (due to)	9 610	9 039
- difference between balance and taxable amortization	9 610	9 039
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	43 049	33 439
a) attributed to the financial result	43 049	33 439
- due to differences between tax and balance sheet depreciation	43 049	33 439
b) attributed to equity		

Positive temporary differences relate to differences between depreciation entered in the balance sheet and tax depreciation.

NOTE 14 b – Change of the balance of other long-term reserves	thousands of PLN	
	2016	2015
1. balance at the beginning of the period	5 201	4 789
2. increases (due to)	1 111	1 167
a) provision for retirement benefits	1 056	1 112
b) use (due to)	55	55
3. dissolution (due to)	1 268	755
a) transfer to a short-term reserve	583	755
b) decrease of a reserve	685	
4. balance at the end of the period	5 044	5 201

NOTE 14 c - CHANGE IN OTHER SHORT-TERM RESERVES (BY TITLE)	thousands of PLN	
	2016	2015
1. balance at the beginning of the period	890	2 417
2. increases (due to)	1 052	755
a) transfer to a short-term reserve	583	755
b) formation of a provision for the purchase of energy origin certificates	469	
3. dissolution (due to)		2 282
a) paid retirement benefits		722
b) purchase of energy origin certificates		1 560
4. balance at the end of the period	1 942	890

NOTE 15 a – Long-term liabilities	thousands of PLN	
	2016	2015
1. Long-term credits and loans		20 000
Long-term liabilities, total	0	20 000

NOTE 16 a – Short-term liabilities	thousands of PLN	
	2016	2015
1. to related parties	12 636	10 254
a) trade liabilities, maturing:	12 636	10 254
- up to 12 months	12 636	10 254
2. to other entities	443 289	242 800
a) credits and loans, including:	214 974	57 406
- long-term, maturing	25 000	20 000
b) trade liabilities, maturing:	189 859	145 354
- up to 12 months	188 008	142 807
- over 12 months	1 851	2 547
c) other short-term liabilities	38 456	40 040
c.1 received advances for deliveries	400	511
c.2 tax, customs, insurance and other liabilities	21 452	22 915
c.3 payroll	8 077	8 161
c.4 other (by title)	8 527	8 453
- social fund	7 973	7 925
- PKZP	386	383
- PZU	107	103
- other	61	42
Short-term liabilities, total	455 925	253 054

NOTE 16 b - Short-term liabilities (currency structure)	thousands of PLN	
	2016	2015
1. in Polish currency	379 967	225 374
2. in foreign currency (by currency and converted into PLN)	75 958	27 680
a) in EUR (thousands of EUR)	16 991	6 514
converted into thousands of PLN	74 838	27 793
b) In USD thousands of PLN	275	-36
converted into thousands of PLN	1 120	-113
other currency in thousand PLN		
Short-term liabilities, total	455 925	253 054

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	19 826		in thousand		Wibor+ margin	September 2017	Pledge on inventories	overdraft limit in current account serving guarantees and letters of credit. Within the credit limit the Capital Group Companies enjoy the sublimits of up to PLN 31 502 thousand (13 000 Stp Elbud and 17 332 Cynk Mal S.A.)
Bank Handlowy S.A.	Warszawa	65 000	0	in thousand	PLN	16 5958		in thousand		Wibor+ margin	July 2017/ January 2018	Pledge on material inventories assignment of receivables	overdraft limit in current account and short-term guarantee PLN 40 000 thousand valid until 07 2017, long-term guarantee PLN 25 000 thousand valid until 01.2018
Bank BGŻ BNP Paribas SA	Kraków	50 000	0	in thousand	PLN	29 203		in thousand		Wibor+ margin	January 2017	Blanc promissory note, silent assignment of receivables and pledge on materials	overdraft limit in current account, guarantees and letters of credit. Within the credit limit Stalprodukt Warnech enjoys the sublimit of up to PLN 2 million.
Bank PKO BP S.A.	Warszawa	150 000	0	in thousand	PLN	34 350		in thousand		Wibor+ margin	August 2017	Promissory note, pledge on inventories	overdraft in current account of up to PLN 80 000 thousand and limit for guarantees and letters of credit PLN 40 000 thousand. Within the credit limit the Capital Group Companies enjoy the sublimits of up to PLN 30 000 thousand, including STP Elbud PLN 10 000 thousand and

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													Centrostal PLN 20 000 thousand
Bank Handlowy S.A.	Warszawa	90 000	0	in thousand	PLN	90 000		in thousand		Wibor+ margin	December 2017	ZGH "Bolesław" S.A.'s deposit	credit with an annual repayment period
PKO Bank Polski S.A.	Warszawa					25 000		in thousand		Wibor+ margin	December 2017		long-term credit with an annual repayment period

NOTE 17 – Accruals	thousands of PLN	
	2016	2015
1. deferred income	5 588	5 224
a) long-term (by titles)	4 302	4 258
- grant	4 302	4 258
b) short-term (by titles)	1 286	966
- received advances	1 286	966
Other accruals, total	5 588	5 224

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 30.09.2017. 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 2016:

- development the power plant's elements (wings, pylons, tower);
- delivery of the generator unit;
- obtaining the building permit.

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 1,451,688 thousand : 5,580,267 shares = PLN 260.15).

NOTE 19 a - NET INCOME FROM SALES OF PRODUCTS (MATERIAL STRUCTURE-TYPES OF ACTIVITIES)	thousands of PLN	
	2016	2015
1. transformer sheets	552 849	653 305
including: from related parties		
2. toroidal cores	10 194	10 698
including: from related parties		
3. steel sheet for banding steel	18	27
including: from related parties	18	27
4. steel sheets, hot-rolled and cold-rolled strips	70 532	70 167
including: from related parties	51 134	54 006
5. cold formed profiles	503 751	488 727
including: from related parties	276 067	268 714
6. road barriers	77 775	67 454
including: from related parties	181	46
7. services	10 471	10 441
including: from related parties	8 647	8 606
Net revenues from sales of products, total	1 225 590	1 300 819
including: from related parties	336 047	331 399

NOTE 19 b - NET SALES OF PRODUCTS (TERRITORIAL STRUCTURE)	thousands of PLN	
	2016	2015
1. domestic	528 200	500 701
a) transformer sheets	38 340	29 615
b) toroidal cores	4 143	4 730
c) steel sheet for banding steel	18	27
d) steel sheets, hot-rolled and cold-rolled strips	59 846	60 662
e) cold formed profiles	364 088	345 281
f) road barriers	51 294	49 945
g) services	10 471	10 441
2. export	697 390	800 118
a) transformer sheets	514 509	623 690
b) toroidal cores	6 051	5 968
c) steel sheets, hot-rolled and cold-rolled strips	10 686	9 505
d) cold formed profiles	139 663	143 446
e) road barriers	26 481	17 509
Net income from sales of products, total	1 225 590	1 300 819

NOTE 20a – Net sales of goods and materials (material structure – types of activities)	thousands of PLN	
	2016	2015
1. goods	20 531	24 145
including: from related parties	18 910	22 353
2. technological waste	20 623	21 354
including: from related parties	1 678	1 588
3. other materials	1 279	1 308
including: from related parties	10	16
Net revenues from sales of goods and materials, total	42 433	46 807
including: from related parties	20 598	23 957

NOTE 21 – Costs by type – cost of manufacture of products sold	thousands of PLN	
	2016	2015
1. amortization	49 912	47 064
2. consumption of materials and energy	826 232	877 956
3. external services	89 437	90 612
4. taxes and fees	18 100	17 046
5. payroll	102 726	95 341
6. social insurance and other benefits	23 789	22 483
7. other costs by type (due to)	3 123	3 558
a) business trips	684	702
b) property insurance	466	616
c) representation and advertising	815	759
d) other	1 158	1 481
8. balance of exchange differences arising from: settlements, provisions against retirement allowances, finished products price reduction	5 775	1 605
a) balance of exchange differences arising from settlements	5 179	-2 400
b) balance of provisions against retirement allowances	371	390
c) provisions for loss of value of finished products	225	3 615
Costs by type, total	1 119 094	1 155 665
Change in stocks, products and accruals	-10 902	-10 759
Cost of manufacture of goods produced for own purposes (negative value)		
Selling costs (negative value)	-33 198	-37 579
General and administrative costs	-38 615	-39 268
Cost of manufacture of products sold	1 036 379	1 068 059

NOTE 22 – Other operating revenues	thousands of PLN	
	2016	2015
1) reversed provisions (due to)	7 288	2 306
a) doubtful receivables		24
b) retirement benefits	685	722
c) payroll	1 500	
d) energy origin certificates		1 560
e) inventory	5 103	
2. other, including:	4 589	3 713
a) payment of adjudicated court fees	17	5
b) received compensation	55	64
c) revenues from sales of fixed assets		2 877
d) revenues due to not collected payroll	4 264	
e) surplus in working capital	113	86
f) other	140	681
Other operating revenues, total	11 877	6 019

NOTE 23 – Other operating costs	thousands of PLN	
	2016	2015
1. reserves (due to)	3 306	9 885
a) doubtful receivables		
b) retirement benefits	1 056	1 112
c) landfill (waste) reclamation	55	55
d) value of finished products	225	3 615
e) payroll	1 500	
f) purchase of energy origin certificates	470	
g) a revaluation write-off for charge inventories		5 103
2. other, including:	7 091	2 692
a) donations	192	150
b) costs of court proceedings	15	5
c) penalties, fines, compensations	144	351
d) shortages in financial resources	44	598
e) value of written-off receivables covered with insurance	2 928	
f) costs of tests	1 038	1 095
g) value of liquidated fixed assets	2 308	
h) other	422	493
Other operating costs, total	10 397	12 577

NOTE 24 – Financial revenues	thousands of PLN	
	2016	2015
1. revenues due to interests, including	2 741	3 855
a) from related parties	1 995	3 174
b) from other entities	746	681
2. exchange rate differences (the excess of negative over positive)		
a) realized		
b) unrealized		
3. released provisions, due to		
c) interests		
4. other, including:	1	
a) dividend received	1	
b) income from the liquidation of a subsidiary company		
Financial revenues, total	2 742	3 855

NOTE 25 – Financial expenses	thousands of PLN	
	2016	2015
1. due to credits and loans	5 324	3 666
a) from related parties		
b) from other entities	5 324	3 666
2. other interests	3	
a) from related parties		
b) from other entities	3	
3. exchange rate differences (the excess of negative over positive), including		1 147
a) realized		
b) unrealized		1 147
4. released provisions, due to	317	505
a) accrued but not paid interests	317	505
5. other, including		10 797
a) impairment losses		10 797
Financial expenses, total	5 644	16 115

Settlement of exchange rate differences	thousands of PLN	
	2016	2015
1. positive exchange rate differences, including	20 514	23 598
a) realized	20 514	23 598
2. negative exchange rate differences	15 335	21 198
a) realized	15 335	21 198
Balance of exchange differences arising on settlements, translated into reduced production costs of the products sold	5 179	-2 400
Balance of exchange rate differences (Profit and loss account, note 25)		

NOTE 26 Current and deferred income tax	thousands of PLN	
	2016	2015
1. Gross profit (loss)	117 653	134 528
2. Differences between gross profit (loss) prior to income tax (by titles)	-55 852	-45 426
a) amortization of tangible and intangible deductible expenses	-50 578	-47 574
b) donations and voluntary contributions	244	211
c) provision for the redemption of energy origin certificates	470	
d) release of provision for retirement benefits	-685	-722
e) PFRON	1 662	1 500
f) Supervisory Board fees not paid out	55	55
g) write-off due to revaluation of long-term investments		10 797
h) cost regarding provisions for retirement benefits	1 056	1 112
i) charge material adjustments /bonus/ in the account		-21 413
j) social insurance for November and December '2015' and paid in January and February '2016'	-3 321	-2 799
k) social insurance for November and December '2016' and paid in January and February '2017'	3 256	3 321
l) value reduction in respect of finished products and charge inventory	-8 493	8 718
m) costs of representation	123	110
n) the value of disposed fixed assets from valuation	1 739	263
o) revenues from the revaluation of assets	-4 264	
p) interest on the credit for the purchase of shares	1 798	
r) other	1 086	995
3. Taxable income	61 801	89 102
4. Income tax at the rate 19%	11 742	16 930
5. Current income tax disclosed in tax declaration for the period, including:	11 742	16 930
a) disclosed in profit and loss account	21 922	25 867
6. Deferred income tax due to temporary differences	10 180	8 937

NOTE 27 – PROFIT DISTRIBUTION

Net profit for the financial year 2015 amounting 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.

Proposals for allocation of net profit* for the reporting period in the amount of **95,731,129.62** PLN:

- share in profits for the Management Board **287,193.39**
- share in profits for the Supervisory Board **335,058.95**
- reserve capital **78,368,076.28**
- dividend **16,740,801.00.**

NOTE 28 – Profit per 1 share

For the calculation of profit per one common share, the stock of 5,580,267 items was considered, which number was decreased throughout the reporting year 2016 by 716 600 items subject to redemption (altogether 1 144 733 items were subject to redemption, with a reservation that the shares in the number of 428 133 items, bought back in 2015 and in the preceding years, were excluded as of 31.12.2015). 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 2016 and comparable period was estimated and presented in the following tables (in thous. PLN):

Itemization 2016	Segments			Total
	Electrical Sheets Segment	Profiles Segment	Other Activities	
Segment revenues	563 042	652 076	52 905	1 268 023
Segment costs	443 895	615 718	50 720	1 110 333
Segment result	119 147	36 358	2 185	157 690
Other operating income and financial income not assigned to the segment				14 619
Other general operational costs and financial costs associated to the segment				54 656

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2016

Gross profit				117 653
Income tax				21 922
Net profit				95 731
Segment assets	822 814	668 349	109 843	1 601 006
Assets not assigned to the segment				362 230
Total assets				1 963 236
Total liabilities	216 240	282 473	12 836	511 549
Capital expenditures	4 700	22 567	9 270	36 537
Depreciation	27 474	17 347	5 091	49 912

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

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	812	PLN	812	917	PLN	917
2	Bank guarantees and letters of credit	credit/contract	3 650	EUR	16 148	5 880	EUR	25 058
3	Bank guarantees and letters of credit	credit/contract	6 126	USD	25 602	4 122	USD	16 080
4	Suretyships	credit/contract	0	PLN	0	3 600	PLN	3 600
4	Suretyships	credit/contract	14 700	EUR	65 033	10 125	EUR	43 148
	Total				107 595			88 803

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 99,004 thousand. It should be noted that the average loans in arrears ratio for 12 months of 2016 (calculated as the ratio of loans in arrears to the total outstanding balance due to supplies, work and services) for the Issuer is 6.2%. In comparison to the year 2015 the (7.7%) 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	2016	2015
1. The balance sheet value of outstanding balance	266 863	214 444
2. Guarantees and letters of credit issued	21 152	15 598
3. The fair value of derivative transactions	0	0
4. Adopted securities	107 595	88 803
5. Receivables in respect of affiliated entities	81 416	62 180
The amount at risk	99 004	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 31.12.2016 the Company had:

loans granted in the amount of – PLN 48 710 thousand,

cash – PLN 19 076 thousand,

investment credit – PLN 25 000 thousand,

short-term revolving loans – PLN 189 974 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). Due to the greater value of the balance sheet liabilities, the potential increases of interest rates will have a negative impact on the period's financial result.

SENSITIVITY TO EXCHANGE RATE RISKS	in thousand PLN	
	2016	2015
Exchange rate increase by 50 basis points		
Impact on the gross result	-736	-43
Exchange rate decrease by 50 basis points		
Impact on the gross result	736	43

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 2015, in 2016 its position was mostly characterized as open short position due to the increased USD purchases.

As of 31.12.2016, 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	
	2016	2015
PLN WEAKENING to USD & EUR by 5%		
Impact on gross result	3 386	4 824
PLN STRENGTHENING to USD & EUR by 5%		
Impact on gross result	-3 386	-4 824

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	
	2016	2015
<i>Debt</i>	214 974	77 406
<i>Cash</i>	-19 076	-19 657
<i>Net Debt</i>	195 898	57 749
<i>Equity</i>	1 451 688	1 554 115
Net Debt Relation to Equity	13,49%	3,72%

In 2016, 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 a slight decrease of the net profit per share took place. The net profit per 1 share amounted to PLN 17.16 in 2016 against PLN 17.26 in 2015.

Changes in equity for the years 2015 and 2016 are presented in the "Statement of changes in equity," which forms an integral part of the annual consolidated financial statements.

In 2016, 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 0.74.

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, depositing 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.

FINANCIAL STATEMENT OF STALPRODUKT S.A. FOR YEAR 2016

Specification 2016	in thousand PLN			
	mutual claims and mutual		revenues and costs transaction liabilities	
	receivables	liabilities	revenues	costs
ZGH Bolesław S.A.		20	515	248
Anew Institute Sp. z o.o.		23		228
Stalprodukt-MB sp. z o.o.	82	1 680	595	3 558
Stalprodukt-Wamech sp. z o.o.	158	3 184	1 375	11 444
Stalprodukt-Centrostal sp. z o.o.	75 520	77	333 071	1 218
Stalprodukt-Serwis sp. z o.o.	77	2 647	676	7 295
Stalprodukt-Zamość sp. z o.o.	79	88	769	990
Stalprodukt-Ochrona sp. z o.o.	23	626	210	2 842
STP Elbud sp. z o.o.	356	4 259	3 364	20 830
Cynk-Mal S.A.	5 121		17 108	5 727

Specification 2015	in thousand PLN			
	mutual claims and mutual		revenues and costs transaction liabilities	
	receivables	liabilities	receivables	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

Moreover, in 2016 some transactions were also finalized with the entities in which the Company holds shares: Stalnet Sp. z o.o.- sales PLN 876 thousand, costs PLN 324 thousand; receivables PLN 5 thousand, liabilities PLN 33 thousand; Stalprodukt-Profil S.A. sales PLN 841 thousand, receivables PLN 2 thousand. The receivables balance for F&R Finanse Sp. z o.o. PLN 12 507 thousand. These were typical market transactions.

Other information

1. On 17 November 2015, the Extraordinary General Meeting of Shareholders adopted a Resolution regarding the Company's purchase of its 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.

Within the three tranches, the Company purchased 1 075 000 its own shares at the purchase price of PLN 268 750 thousand. Before the above mentioned tranches were cleared, the Company and one of its subsidiaries had jointly held 69 778 shares. After the clearing procedure the Company altogether holds 1 144 778 shares, accounting for 31.94 % of votes at the General Meeting of Shareholders. In accordance with the Resolution No XXXIII/12/2016 adopted by the General Meeting of Shareholders, 1 144 733 shares were subject to redemption.

2. By the Resolution No XXXIII/13/2016 adopted by the General Meeting of Shareholders, the Company's share capital was reduced from PLN 13 450 000 to PLN 11 160 534, i.e. by the amount of PLN 2 289 466. The reduction took place in the process of redemption of 1 144 733 shares.
3. On 1 July 2016, the Issuer's Management Board received information that on 28 June 2016 the reduction of the Company's share capital was recorded by the Kraków-Śródmieście Regional Court of Krakow, 12th Economic Department of the National Court Register. After the registration of the changes in the share capital level, the total number of shares amounts to 5 580 267 items, which accounts for 12 198 535 votes at the General Meeting of Shareholders as counted against all the shares issued.
4. On 20 June 2016, the General Meeting adopted the Resolution No XXXIII/18/2016, granting the Company an authorization within the meaning of Art. 365 par. 1 subpar. 8 to purchase its own shares with a view to redemption. The maximum number of shares which can be purchased by the Company within the Program equals 200 000 items. The single share purchase price is PLN 250.00. The purchase refers to registered preference shares of A, B and E series. The value of the Program enlarged by the purchase costs equals PLN 51 million. The purchase of the shares may take place within the deadlines and under the terms and conditions defined by the Company's Management Board within two years starting from the time when the Resolution No XXXIII/18/2016 was adopted.
5. On 28 October 2016 the Issuer informs that it received notice from the Shareholders: STP Investment S.A., Stalprodukt-Profil S.A., Stalnet sp. z o.o. and Piotra Janeczka, referred to in art. 77 par.7 in connection with art. 69 par.1 of the Act on Public Offer and Financial Instruments Introduction to Organized Trading, the number of shares acquired within the Call for Tenders (call announced on September 13, 2016) and

the percentage share in the total number of votes achieved as a result of the Call for Tenders by each of the Calling Parties.

Shareholder - STP Investment S.A. acquired 1,541 Issuer's registered shares preferential as to the voting right and 1,355 registered non-preference shares,

Shareholder - Stalprodukt-Profil S.A. acquired 1 Issuer's registered share preferential as to the voting right and 1 registered non-preference share,

Shareholder - Stalnet sp. z o.o. acquired 2 Issuer's registered shares preferential as to the voting right and 2 registered non-preference shares,

Shareholder - Piotr Janeczek acquired 100 Issuer's registered shares preferential as to the voting right and 88 registered non-preference shares.

6. In 2016, no activity conducted by the Issuer was abandoned.
7. There were no significant events relating to previous years included in the annual financial statements as at 31.12.2016, which distort the picture of the activities of the financial year 2016.
8. During the reporting period the Company incurred capital expenditures of PLN 49,912 thousand, including expenditure on environmental protection PLN 97 thousand. Planned capital expenditures for 2017 amounts to about PLN 64,200 thousand. Capital expenditures shall be used to finance intangible fixed assets.
9. As of the balance sheet day, the Group have off-balance sheet contingent liabilities:
 - performance bonds concerning the production and installation of road safety barriers totalling PLN 16 501 thousand, and in respect of the guarantee for the blank promissory note covering PLN 13 000 thousand issued by the company STP Elbud Sp. z o.o. in order to secure the investment credit granted by Bank Pekao S.A.
10. The average employment in occupational groups:
 - in 2016, total employment equalled 1,646 people, including 1,343 blue-collar and related workers, and 303 white-collar workers,
 - in 2015, total employment equalled 1,550 people, including 1,257 blue-collar and related workers, and 293 white-collar workers.
11. Remunerations, including awards, paid to managing and supervising staff in the Company amounted in the 2016 - PLN 5,807 thousand, and in the year 2015 - PLN 3,706 thousand, including the remuneration of the Management Board as appropriate: PLN 4,700 and PLN 3,113 thousand, and the remuneration of the Supervisory Board amounted to PLN 1 107 and PLN 593 thousand.
12. Remuneration of the management and supervisory bodies of the Issuer for performing their functions in the governing bodies of subsidiaries amounted in the

year 2016 - PLN 345 thousand, including managers PLN 248 thousand, and supervisors PLN 97 thousand, while in 2015 - PLN 326 thousand, including the managers PLN 248 thousand, and supervisors PLN 78 thousand.

13. 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.
14. After 31.12.2016, 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 2016, which could materially affect the situation in the Company and its future financial results.
15. 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%.
16. The Issuer, as the Parent Company, draws up the consolidated financial statements under the full method, including all the subsidiaries therein.
17. These financial statements of Stalprodukt S.A. for 2016 was approved by the Management Board of the Company for publication on 27 April 2017.

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Łukasz Mentel
Member of the Management Board
– Financial Director

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Józef Ryszka
Member of the Management Board
– Marketing Director

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Piotr Janeczek
President of the Management Board – CEO