

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

seat and address: 53-234 Wrocław, ul. Grabiszyńska 241

tel. (71) 349 09 60; fax. (71) 349 09 67

e-mail: biuro@accord.wroc.pl www.accord.wroc.pl

VAT No: 899-000-70-79, Bank Pekao S.A. 11 1240 6801 1111 0000 5630 0332

District Court for Wrocław-Fabryczna, 6th Economic Department KRS 0000087656

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



INDEPENDENT CERTIFIED AUDITOR'S OPINION AND REPORT

ON THE FINANCIAL REPORT AUDIT CARRIED OUT

FOR THE STALPRODUKT S.A. BASED IN BOCHNIA

FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016

INDEPENDENT CERTIFIED AUDITOR'S OPINION

Opinion on the Financial Report

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

The Company's Management Board's and Supervisory Board's Liability

The Company's Management Board is responsible for the preparation and accurate presentation of the present Financial Report in accordance with the International Financial Reporting Standards, which have been approved by the European Union, its conformity with the legal provisions applicable to the Company and with the Articles of Association, as well as for the preparation of the documentation in accordance with the provisions defined in the Regulation of the Minister of Finance as of 29 September 1994 (Journal of Laws 2016, item 1047 with subsequent amendments), hereinafter referred to as the Accountancy Act. The Company's Management Board is also responsible for the internal audit, which is thereby regarded as indispensable, so that the Financial Reports shall be free from any irregularities arising from deliberate actions or errors.

Pursuant to the Accountancy Act the Company's Management Board and members of the Supervisory Board are obligated to ensure that the Financial Report fulfils the requirements of the International Financial Reporting Standards approved by the European Union, Accountancy Act.

Auditor's Liability

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

We have carried out the audit of the Financial Report pursuant to the provisions of the National Financial Auditing Standards in the wording of the International Auditing Standards adopted by the National Council of Certified Auditors, hereinafter referred to as National Financial Auditing Standards and Chapter 7 of the Accountancy Act.

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

The audit consists in conducting procedures aimed at obtaining evidence as to the amounts and disclosures contained in the Financial Report. The selection of the auditing procedures depends on our judgement, including the assessment of risk affecting the occurrence of significant irregularities in the Financial Report resulting from deliberate actions or errors. Assessing the risk concerned, we consider the internal audit, connected with the preparation and accurate presentation of the Company's Financial Report, in order to plan auditing procedures applicable in the circumstances concerned and not to express our opinion on the effectiveness of the internal audit. The audit also contains the evaluation of the appropriateness of the applied accounting policy, rationality of the estimated values determined by the Company's Management Board and general assessment of the Financial Report's presentation.

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

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

Opinion

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

- presents accurately and clearly the assets and financial standing of the entity as of 31.12.2016 as well as its financial result for the reporting year from 01.01.2016 to 31.12.2016, in accordance with the International Financial Reporting Standards, which have been approved by the European Union and with the adopted accounting principles (policy),
- was prepared, in all essential aspects, in accordance with the International Financial Reporting Standards, approved by the European Union,
- stands in accordance, in all of its essential aspects, as to the form and content, with the Regulation of the Minister of Finance as of 19 February 2009 on current and periodic information disclosed by issuers of securities and conditions governing recognition of equivalent information required by non-member states (Journal of Laws 2014, item 133 with subsequent amendments), hereinafter referred to as the Regulation on Current and Periodic Information, and provisions of the Company's Articles of Association affecting the same,
- was prepared, in all essential aspects, on the basis of the correctly run accounting books in accordance with the rules provided for in the Accountancy Act.

Report on Other Legal Requirements and Regulations

Information on the fulfillment of other obligations arising from the legal provisions concerning the Financial Report

Other information contained in the Financial Report

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

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

We have nothing to report in this respect.

Report on Activities

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

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

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

Opinion on the Report on Activities and Declaration on Corporate Governance

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

- the enclosed Report on the Company's Activities, reflects, in all essential aspects, the provisions of the Regulation on Current and Periodic Information and information referred to in art. 49 of the Accountancy Act and the information presented in the Report stands in accordance with the information contained in the audited Financial Report,
- the Declaration on Corporate Governance contains, in all essential aspects, the information required by the Regulation on Current and Periodic Information and the information contained therein stands in accordance with the information contained in the audited Financial Report.

Other Statements Regarding the Report on Capital Group's Activities

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

Teresa Sadowska

Key Certified Auditor No 9358
„Accord'ab" Biegli Rewidenci Spółka z o.o.
53-234 Wrocław, ul. Grabiszyńska 241
Entity entitled to carry out financial report audits No 262

Wrocław, 27 April 2017

COMPLEMENTARY REPORT
ON THE AUDIT
OF THE FINANCIAL REPORT
OF THE STALPRODUKT S.A.
BASED IN BOCHNIA
FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016

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

Stalprodukt S.A.

1.1.2. Seat of the Companyul. Wygoda 69
32-700 Bochnia**1.1.3. Company Registration in the National Court Register**Registration Court: District Court
Date: October 25, 2001
Register No: KRS 0000055209
VAT No: 868-000-07-75
National Statistical No REGON: 850008147**1.1.4. Przedmiot działalności jednostki**

The audited company's main object of activity is the production of flat cold rolled products pursuant to PKD 2432Z.

1.1.5. Struktura własności i jednostki powiązane

Według stanu na 31.12.2016 roku struktura własności kapitału zakładowego jednostki dominującej w wysokości 11 161 tys. złotych przedstawia się następująco:

	Number of share	Nominal value (PLN THOU)	Structure (%)
Akcjonariusze			
ArcelorMittal Sourcing a société en commandite par actions	1 066 100	2 132,2	19,10%
STP Investment S.A.	1 828 619	3 657,2	32,77%
Stalprodukt Profil S.A.	621 719	1 243,4	11,14%
Pozostali	2 063 829	4 127,7	36,99%
Razem	5 580 267	11 160,5	100,00%

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,
- Pan 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.

By the Resolution No XXXIII/13/2016 adopted by the General Meeting of Shareholders the Company's share capital was decreased from PLN 13 450 000 to PLN 11 160 534, i.e. to the amount of PLN 2 289 466. The decrease concerned resulted from the redemption of 1 144 733 shares (the shares were bought back in the years 2015-2016 in 3 tranches with a view to redemption – in accordance with the Resolution No XXXII/5/2015 of the Stalprodukt S.A. Extraordinary General Meeting of Shareholders). On 1 July 2016, the Issuer's Management Board received information concerning the registration of the share capital decrease by the Kraków-Śródmieście District Court of Kraków, 12th Economic Department of the National Court Register, on 28 June 2016. After the registration of the change in the share capital level the general number of shares totals 5 580 267 items, which accounts for 12 198 535 votes at the General Meeting of Shareholders arising from all the shares.

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.

According to the status as of the end of the audited period, the audited Company is a Parent Company of the Stalprodukt S.A. Capital Group. The information about the transactions with the associated companies and about the Group has been included in the Additional Information on the Adopted Accounting Principles (Policy) and Other Explanatory Information as well as in Note No 4.

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

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

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

1.2. Information concerning the carried out audit

1.2.1. Formal requirements concerning the audit

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

Both the entity entitled to audit and the key statutory auditor satisfy the requirement of independence from the audited Company in the meaning of art. 56 par. 3 and 4 of the Act on Certified Auditors, their Self-Government, Entities Authorized to Audit Financial Reports and on Public Supervision as of 7 May 2009 (consolidated text Journal of Laws 2016, item 1000).

1.2.2. Information on the required information, explanations and statements obtained

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

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

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

The scope and mode of the conducted audit is reflected in the working documentation prepared by us, located at the seat of the auditing company: „Accord'ab” Biegli Rewidenci Spółka z o.o.

1.3. Information on the Consolidated Financial Statement for the previous reporting year

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

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

Allocation of 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

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

2. Detailed part of the Report

2.1. Company's assets' status and financial result

2.1.1. Company's assets' status and financial result

ASSETS	2016-12-31 PLN THOU	% balance sheet total	2015-12-31 PLN THOU	% balance sheet total	Change %
FIXED ASSETS					
Intangible assets	41 696	2,1	43 137	2,3	(3,3)
Tangible assets	857 199	43,7	863 910	46,2	(0,8)
Long-term investments	457 746	23,3	495 647	26,5	(7,6)
Long-term prepayments	1 265	0,1	1 969	0,1	(35,8)
	1 357 906	69,2	1 404 663	75,0	(3,3)
CURRENT ASSETS					
Inventories	268 106	13,7	224 308	12,0	19,5
Short-term receivables	266 863	13,6	214 444	11,5	24,4
Short-term investments	60 892	3,1	21 513	1,1	183,0
Short-term prepayments	9 469	0,5	6 995	0,4	35,4
	605 330	30,8	467 260	25,0	29,5
TOTAL ASSETS	1 963 236	100,0	1 871 923	100,0	4,9
LIABILITIES					
EQUITY					
Share capital	11 161	0,6	13 450	0,7	(17,0)
Supplementary capital (fund)	104 184	5,3	104 184	5,6	0,0
Revaluation capital (fund)	0	0,0	3 166	0,2	(100,0)
Other reserve capital (fund)	1 240 612	63,2	1 324 654	70,8	(6,3)
Net profit (loss)	95 731	4,9	108 661	5,8	(11,9)
	1 451 688	73,9	1 554 115	83,0	(6,6)
LIABILITIES AND PROVISIONS FOR LIABILITIES					
Provisions for liabilities	50 035	2,5	39 530	2,1	26,6
Long-term liabilities	0	0,0	20 000	1,1	(100,0)
Short-term liabilities	455 925	23,2	253 054	13,5	80,2
Accruals	5 588	0,3	5 224	0,3	7,0
	511 548	26,1	317 808	17,0	61,0
TOTAL LIABILITIES	1 963 236	100,0	1 871 923	100,0	4,9

2.1.2. Capital Group's financial result

	2016-12-31 PLN THOU	% of sales	2015-12-31 PLN THOU	% of sales	Change %
Net sales of products, goods and materials	1 268 023	100,0	1 347 626	100,0	(5,9)
Costs of sold products, goods and materials	1 077 135	84,9	1 117 433	82,9	(3,6)
Gross profit (loss) on sales	190 888	15,1	230 193	17,1	(17,1)
Other operating income	11 877	0,9	6 019	0,4	97,3
Costs of sales	33 198	2,6	37 579	2,8	(11,7)
General and administrative costs	38 615	3,0	39 268	2,9	(1,7)
Other operating costs	10 397	0,8	12 577	0,9	(17,3)
Profit (loss) on operating activities	120 555	9,5	146 788	10,9	(17,9)
Financial income	2 742	0,2	3 855	0,3	(28,9)
Financial costs	5 644	0,4	16 115	1,2	(65,0)
Gross profit (loss)	117 653	9,3	134 528	10,0	(12,5)
Income tax	21 922	1,7	25 867	1,9	(15,3)
Net profit (loss)	95 731	7,5	108 661	8,1	(11,9)

2.1.3. Selected financial ratios

Itemization	Unit of measure	2016	2015	2014
1. Profit margin on sales of products, goods and materials (sales / income from sales)*100	%	15,05	17,08	9,01
2. Return on equity (ROE) (net result / equity)*100	%	6,59	6,99	1,75
3. Trade receivables turnover ratio (average trade receivables*365) / sales	number of days	65	52	60
4. Debt ratio (total liabilities - payables/ total assets) *100	%	26,06	16,98	20,12
5. Liquidity ratio I (current assets/ short-term liabilities -payables)	%	1,33	1,85	1,74

2.2. Continuation of activities

The Company's Management Board stated that the financial report had been prepared with the assumption that the Company would continue its activities for the period not shorter than 12 months onwards from 31 December 2016 and that there were no circumstances suggesting that the continuation of the Company's activities was threatened. Considering the declaration confirming the Company's capacity to continue its activities, the Management Board conducted the liquidity risk analysis which was described in detail in point 7 of the Additional Information on the Adopted Accounting Principles (Policy) and Other Explanatory Information.

During our audit, including the financial standing analysis and assessment of the assumption on the continuation of activities adopted by the Management Board while preparing the Financial Report, nothing attracted our attention to lead us to the belief that the Company would not be able to continue its activities for at least 12 months calculated from 31 December 2016 onwards due to the intended or compulsory abandonment or serious reduction of its so far continued activities.

2.3. Conclusions from the audit

The Company is in possession, to a significant extent, of the updated documentation characterising the Company's accounting principles adopted by the Company's Management Board in the extent required by the provisions of art. 10 of the Accountancy Act.

During the audit of the Financial Report we performed a random check of the correctness of the accounting system's operations.

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

It was not our goal to state an opinion about the accounting system operations and so we do not express our opinion thereon.

The Company carried out an inventory count of its assets and liabilities within the scope and deadlines provided for in art. 26 of the Accountancy Act. The inventory count differences were recognized and settled in the accounting books concerning the audited period.

Teresa Sadowska, Certified Auditor No 9358

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

Wrocław, April 27, 2017