

**Additional Information to the interim report
of Zakłady Urządzeń Kotłowych “Stąporków” S.A.
for the third quarter of 2016**

Only the Polish-language version of this document shall be binding, however
every effort has been made to ensure the accuracy of this translation

14 November 2016

1. Additional information to the condensed financial statement for the third quarter of 2016

1.1. Accounting methods and principles; methods of assets and liabilities valuation and measurement of the financial result as on the balance sheet day

The interim financial statement for the third quarter of 2016 has been prepared in accordance with:

- Accounting Act of 29 September 1994 (consolidated text – Journal of Laws of 2002 No 76; item 694, as amended),
- Regulation of the Minister of Finance of 19 February 2009 on current and periodic information to be published by issuers of securities and on conditions of recognition of information required under non-member state law regulations as equivalent (Journal of Laws No. 33 item 259).

The rules applied by the Company for the financial statement for the three quarters of 2016 preparation have not changed since their description and publication in the half-yearly financial statement for the first half of 2016.

Also the estimated figures prepared by the Company's Management Board have not changed in the above mentioned period.

In the third quarter of 2016 there were no changes to the accounting policy applied by the Company.

1.2. A brief description of significant achievements or failures of the issuer in the reporting period

The most important achievements:

- execution of subsequent orders with a key contractor – Hunnebeck, which was notified by the Company in a current report no 15/2016;
- conclusion of an agreement of strategic partnership with MKL Sp. z o.o. (Limited Liability Company), which was notified by the Company in a current report no 16/2016. The concluded agreement will allow the Issuer to expand the sales market, particularly export markets. In addition it will enable the implementation of new significant contracts, including in particular – General Contracting Agreements;
- progress of the development works in respect of documentation concerning the boiler for micronized biomass, implemented as a part of Biostrateg research program;
- acquisition of a foreign partner in the field of desulphurization technology.

The most important contracts executed in the third quarter of 2016:

Subject:	Net Value (PLN)
Construction, delivery and assembly of dedusting installation for two WR-5 boilers and one WLM-2,5 boiler in Mińsk Mazowiecki	1 360 000.00
Construction of steel structures	451 977.90
Construction of two grates	612 800.00
Construction and delivery of a grate with blast air system	543 000.00
Modernization of a grate and slag trap system in Tychy	541 200.00
Construction of shuttering slabs and steel elements	1 700 000.00
Construction of cutters	420 000.00

Contracts under execution:

Subject:	Net Value (PLN)
Construction, delivery and assembly of dedusting installation – KTP Karmoy (Norway)	2 450 000.00
Construction of shuttering slabs and steel elements	1 500 000.00
Construction of cutters	235 000.00
Construction, delivery and assembly of dedusting installation for WR-10 boiler in Zamość	727 000.00
Modernization of WR-5 boiler and construction and assembly of dedusting installation	913 500.00
Construction of steel structures	688 000.00
Construction of steel structures	769 000.00
Construction and delivery of two chain conveyors	1 697 000.00
Construction, delivery and assembly of two grates and four conveyors for two WR-25 boilers in Siedlce	1 532 000.00
Construction and delivery of pulsation filter	2 730 000.00

Failures:

The Company ended the third quarter of 2016 with a loss amounting to approximately PLN 640.4 thousand, which was associated with a decrease in revenues. Currently, the major part of ZUK Stąporków S.A. activities are based on Heating and Industrial Energy markets, which depend largely on local government's investments, which have been significantly reduced. Also some delays occurred in terms of investments associated with reduction of Sulphur and Nitrogen oxides emissions and further reduction of dust emissions.

1.3. Description of factors and events with particular consideration of events of unusual nature which may significantly affect the achieved financial results

Apart from the events and circumstances described in this report, there were no extraordinary events in the third quarter of 2016 that would have a significant impact on the condensed financial statement.

1.4. Information concerning the seasonality and cyclicity of issuer's operating activity

Seasonality or cyclicity factors, as referred to above, did not occur.

1.5. Information on revaluation write-offs on inventory to net realizable value and on reversal of such write-offs

In the third quarter of 2016, the Company released the revaluation write-offs on inventory at the amount of PLN 16.8 thousand. In the third quarter of 2016, the Company did not recognize any reversal of write-offs in this regard.

1.6. Information on impairment losses on financial assets, fixed tangible assets, intangible assets or other assets and on reversal of such impairments

In the third quarter of 2016, the Company did not recognize any impairments as referred to above.

1.7. Information on creation, increase, use and release of provisions

Subject to the operations concerning the write-offs described in section 1.5., the events referred to above did not occur.

1.8. Information on deferred income tax provisions and assets

In the third quarter of 2016 there were no changes in terms of deferred income tax provisions and assets.

1.9. Information on significant transactions concerning the acquisition or disposal of fixed tangible assets

In the third quarter of 2016 there were no transactions concerning the acquisition or disposal of fixed tangible.

1.10. Information on significant liability arising from the acquisition of fixed tangible assets

In the third quarter of 2016 there were no significant liabilities arising from the acquisition of fixed tangible assets.

At the same time, the Company has a liability arising from the perpetual usufruct rights. Mentioned liability has a form of annual installments for a period of 20 years. The first installment in respect of this liability was paid in 2015.

1.11. Information on significant litigation settlements

In the third quarter of 2016, the Company did not recognize any significant litigation settlements.

1.12. Indication of previous periods' adjustments

The Company did not recognize any adjustments as referred to in this point.

1.13. Information on changes in economic situation and conditions of performing business operations, which have a significant impact on fair value of financial assets and liabilities of the Company

In the third quarter of 2016, there were no changes in economic situation and conditions of performing business operations.

1.14. Information on failure to repay the credit or loan or on infringement of significant provisions of credit or loan agreement with respect to which no corrective or remedial actions were undertaken as to the end of reporting period

In the third quarter of 2016 events referred to above did not occur. All payments arising from financing agreements were managed by the Company in a timely manner.

1.15. Information on conclusion by the issuer or its subsidiary undertaking of one or more transactions with related entities

In the third quarter of 2016 the Company did not conclude significant transactions with related entities.

1.16. In case of financial instruments measured at fair value – information regarding the change of method of its determination

The Company did not change the method for valuation of financial instruments measured at fair value.

1.17. Information concerning the change of classification of financial resulting from change of a purpose or use of these assets

The Company did not change the aforementioned classification.

1.18. Information regarding the issue, redemption and repayment of debt and equity

The issue, redemption and repayment of debt and equity securities did not occur in the third quarter of 2016.

1.19. Information regarding paid (or declared) dividend

In the reporting period the Company did not pay out or declare the dividend. The Ordinary General Meeting decided on the coverage of a loss for the year 2015 at the amount of PLN 1 530 027.65 with supplementary capital.

1.20. Description of events which occurred after the balance sheet date and were not described in the quarterly financial statement and may significantly affect future financial results of the issuer

Conclusion of an agreement of strategic partnership with MKL Sp. z o.o. (Limited Liability Company), which was notified by the Company in a current report no 16/2016. The concluded agreement will allow the Issuer to expand the sales market, particularly export markets. In addition it will enable the implementation of new significant contracts, including in particular – General Contracting Agreements.

1.21. Information on changes in the contingent assets and liabilities which occurred since the end of the last financial year

The contingent liabilities due to bank and insurance guarantees (as regards appropriate performance of concluded agreements) decreased as compared to the status as at 30 June 2015 and amount to PLN 1 786.00 thousand.

Mentioned liabilities follows from performance guarantees granted by Deutsche Bank and removal of defects and failures for some companies.

1.22. Other information which the issuer deems relevant for the assessment of its financial situation and its net result

Apart from the information indicated in the report hereof, the Issuer does not recognize any circumstances which may have a significant impact on the assessment of its financial situation and its net result.

2. Other information to the condensed financial statement for the third quarter of 2016

2.1. Selected financial data

SELECTED FINANCIAL DATA	PLN		EUR	
	Three Quarters of 2016 cumulatively 1 January 2016 – 30 September 2016	Three Quarters of 2015 cumulatively 1 January 2015 – 30 September 2015	Three Quarters of 2016 cumulatively 1 January 2016 – 30 September 2016	Three Quarters of 2015 cumulatively 1 January 2015 – 30 September 2015
I. Net Revenues from sales of products, goods and materials	35 011	57 098	8 014	13 730
II. Operating Profit (Loss)	6	-1 668	1	-401
III. Gross Profit (Loss)	-640	-1 776	-147	-427
IV. Net Profit (Loss)	-640	-1 776	-147	-427
V. Net Operating Cash Flow	6 758	-5 643	1 547	-1 357
VI. Net Investment Cash Flow	-2 103	-668	-481	-161
VII. Net Financial Cash Flow	-2 065	7 188	-473	1 728
VIII. Net Total Cash Flow	2 589	877	593	211
IX. Total Assets (as at the end of a current quarter and as at the end of previous financial year)	77 968	84 725	18 082	19 989
X. Liabilities and provisions for Liabilities (as at the end of a current quarter and as at the end of previous financial year)	46 601	52 718	10 807	12 438
XI. Long-Term Liabilities (as at the end of a current quarter and as at the end of previous financial year)	13 080	6 631	3 033	1 564
XII. Short-Term Liabilities (as at the end of a current quarter and as at the end of previous financial year)	22 497	37 452	5 217	8 836
XIII. Equity (as at the end of a current quarter and as at the end of previous financial year)	31 367	32 007	7 274	7 551
XIV. Share Capital (as at the end of a current quarter and as at the end of previous financial year)	1 531	1 531	355	361
XV. Shares Number (as at the end of a current quarter and as at the end of previous financial year)	4 503 790	4 503 790	4 503 790	4 503 790
XVI. Profit (loss) per share (PLN/EUR)	-0,14	-0,39	-0,03	-0,09
Diluted Profit (Loss) per share (PLN/EUR)				
XVII. Book value per share (PLN/EUR) (as at the end of a current quarter and as at the end of previous financial year)	6,96	7,11	1,62	1,68
Diluted book value per share (PLN/EUR) (as at the end of a current quarter and as at the end of previous financial year)				
Declared or paid dividend per share (PLN/EUR)				

Principles of translating the individual items of balance and results account into EURO:

a) for data referring to current financial year:

- the individual items of profit and loss account for three quarters of 2016, have been translated into EUR on the basis of arithmetic mean of average exchange rates announced by the National Bank of Poland applicable as at the last day of each month during the third quarter (January-September) amounting to PLN 4.3688 (EUR 1 = PLN 4.3688).
- the individual balance sheet items have been translated into EUR on the basis of average exchange rate amounting to PLN 4.3120 (EUR 1 = PLN 4.3120 announced by the National Bank of Poland and prevailing on the balance sheet day, that is on 30 September 2016.

b) for comparable data

- the individual items of profit and loss account for three quarters of 2015, have been translated into EUR on the basis of arithmetic mean of average exchange rates announced by the National Bank of Poland applicable as at the last day of each month during the third quarter (January-September) amounting to PLN 4.1585 (EUR 1 = PLN 4.1585).
- the individual balance sheet items have been translated into EUR on the basis of average exchange rate amounting to PLN 4.2615 (EUR 1 = PLN 4.2615 announced by the National Bank of Poland and prevailing on the balance sheet day, that is on 30 September 2015).

2.2. Information concerning the Company and its business activities

Zakłady Urządzeń Kotłowych "Stąporków" S.A. is one of the leading companies operating on the European Energy Market. The Company has been operating on the market continuously for 40 years. During this period, the Company acquired the expertise and experience and thus strengthen its position on Heating, Professional and Industrial Energy markets in terms of General Contracting services. The main products of the Company are systems of air protection (dust, sulfur, nitrogen), transport equipment, facilities and devices for processing and combustion of different fuels including RDF and biomass, as well as all kinds of technology and steel structures.

In addition to production of mentioned industrial devices, ZUK Stąporków S.A. offers design, consulting and overhaul services.

ZUK Stąporków S.A. does not form a Group.

During the third quarter of 2016 as well as at the date of report hereof publication, there were no changes in the structure of the Company, including those arising from business combinations, acquisitions, long-term investments, division, restructuring or discontinuation of operations.

2.3. Activities of the Company in the third quarter of 2016**2.4. Description of financial situation****2.4.1. Comments to the financial results for the third quarter of 2016**

The Company ended third quarter of 2016 with a net loss amounting to approximately PLN 640.4 thousand as compared to PLN 1 776.3 thousand of loss for the corresponding period last year. The revenues generated in the third quarter of 2016 were by 38% lower in relation to previous year. Particularly significant was the decline in orders in Infrastructure and Environmental Protection segment, while the sales for Energy Industry remained at a similar level. The Company accordingly concludes that the loss incurred was affected by the following factors:

- vulnerability of the world economy and slowdown in domestic economy, resulted in a temporary fall in demand for manufactured products, which is dependent on projects and investments in the industries supplied by the Company (construction, energy and environmental protection industries);
- upward trend in operating costs due to increased energy prices and personnel costs being the result of a decrease in unemployment, a significant increase in the minimum wage and a significant increase in the level of wages on market;

- volatility of exchange rates distinguished by a relatively large currency fluctuations (significant foreign exchange differences in receivables accounting in EUR);

- deterioration of the situation in terms of number of announced tender procedures in the Construction and Energy sectors. This results in a very high level of competition, which translates into lower margins;

Despite the negative financial results in the third quarter, the Company has a significant portfolio of export orders. This allows us be optimistic about the next quarter of current financial year.

2.4.2. Information on transactions with related parties

During the third quarter of 2016 the Company did not conclude any transactions with related entities, which were significant or concluded on other than market conditions.

2.4.3. Information on guarantees and sureties granted

During the third quarter of 2016 the Company did not grant any loans or credits.

2.5. The Management Board's opinion on the previously published forecast of results for a given financial year

The Issuer did not publish the forecasts regarding the financial results for 2016.

2.6. The Boards of the Company

As at the day of the report hereof publication, the composition of the Company's **Management Board** was as follows:

- Grzegorz Pasturczak – President of the Management Board
- Dariusz Cieślak – Member of the Management Board

As at the day of the report hereof publication, the composition of the Company's **Supervisory Board** was as follows:

- Lech Pasturczak – Chairman of the Supervisory Board
- Stanisław Pargiela – Vice-Chairman of the Supervisory Board
- Artur Mączyński - Vice-Chairman of the Supervisory Board
- Jacek Wilk – Member of the Supervisory Board
- Andrzej Pargiela – Member of the Supervisory Board

2.7. Shares and shareholding structure

2.7.1. Significant shareholders

As at the day of the report hereof publication the share capital of the Company was divided into 4 503 790 shares entitling to 4 503 790 votes.

The shareholding structure of ZUK ‘Staporków’ S.A. as at the day of disclosing the half yearly financial statement that is as at 31 August 2016 and previous quarterly financial statement, that is as at 16 May 2016, was as follows:

Shareholder	Number of shares	Share in capital (%)	Number of votes	Share in votes (%)
Lech Jan Pasturczak	676 896	15.03	676 896	15.03
Andrzej Piotr Pargieła	676 896	15.03	676 896	15.03
Stanisław Juliusz Pargieła	814 874	18.09	814 874	18.09
Artur Mączyński	636 896	14.14	636 896	14.14

In the period since the day of publication of the report for the first quarter of 2016, there were no changes in terms of shareholders holding directly or indirectly at least 5% of the total number of votes at the Issuer’s General Meeting.

Taking above into consideration, as at the day of the report hereof publication, that is as at 14 November 2016, the shareholding structure of ZUK ‘Staporków’ S.A. was as follows:

Shareholder	Number of shares	Share in capital (%)	Number of votes	Share in votes (%)
Lech Jan Pasturczak	676 896	15.03	676 896	15.03
Andrzej Piotr Pargieła	676 896	15.03	676 896	15.03
Stanisław Juliusz Pargieła	814 874	18.09	814 874	18.09
Artur Mączyński	636 896	14.14	636 896	14.14

2.7.2. Shares and share options held by the managing and supervising persons

The shareholding structure in terms of shares of ZUK Staporków S.A. held by Issuer’s managing or supervising persons as at the day of disclosing the half yearly financial statement that is as at 31 August 2016 and previous quarterly financial statement, that is as at 16 May 2016 and as at 14 November 2016 was as follows:

Name	Position	As at 16 May 2016	As at 14 November 2016
Grzegorz Pasturczak	President of the Management Board	1384 shares	1384 shares
Dariusz Cieślik	Member of the Management Board	0 shares	0 shares
Lech Jan Pastruczak	Chairman of the Supervisory Board	676 896 shares	676 896 shares
Andrzej Piotr Pargieła	Secretary to the Supervisory Board	676 896 shares	676 896 shares
Stanisław Juliusz Pargieła	Vice-Chairman of the Supervisory Board	814 874 shares	814 874 shares
Artur Mączyński	Vice-Chairman of the Supervisory Board	636 896 shares	636 896 shares
Jacek Wilk	Member of the Supervisory Board	0 shares	0 shares

In the period since the day of publication of the report for the first quarter of 2016, there were no changes in terms of number of Company’s shares or share options held by the managing and supervising persons. As at 31 August 2016, 16 May 2016 and as at 14 November 2016 none of Issuer’s managing and supervising persons held the Company’s share options.

2.8. Significant proceedings pending before a court, before a relevant body for conducting arbitration proceedings or before government bodies

To the best knowledge of the Issuer’s Management Board, any court proceedings (regarding the Company’s liabilities or receivables), which value amounts to at least 10% of the Issuer’s equity, before a relevant body for conducting arbitration proceedings or before government administration bodies were not pending against the Company in the reporting period.

2.9. Information which according to the issuer is significant for the assessment and changes of its financial and staffing situation as well as financial result of the issuer, including information significant for the assessment of issuer’s possibilities to implement its commitments

The Management Board of ZUK Stąporków S.A. notes that during the third quarter of 2016 the Company did not concluded any EUR-denominated hedging transactions. Thus, the Company is not exposed to the risk that potential exchange rates fluctuations will result in significant losses or in other negative circumstances associated with this kind of transactions.

The Company’s Management Board does not recognize any threats to the financial stability of the Issuer. In addition the Company’s Management Board as does not notice any threats as to the issuer’s possibilities to implement its commitments.

2.10. Description of factors which according to the issuer shall affect the achieved financial result with particular consideration of at least subsequent quarter

Due to a downward trend on Heating and Professional Energy market in Poland, Zakłady Urządzeń Kotłowych “Stąporków” S.A. has diversified its activities, production profile and operations on European markets. Company’s target markets are above all market of European Union while the key end-clients – leading suppliers in such industries as: Thermal Utilisation of Municipal Waste, Packaging, Professional and Industrial Energy.

Additionally, the Company took the decision to conclude a Strategic Partnership Agreement with MKL Sp. z o.o. (Limited Liability Company), which in the opinion of the Management Board will allow to use the synergy effect within the operations of both companies and to acquire new orders.

The most important factors, which will have an impact on Issuer’s situation during the next quarters of the year are:

- situation on public and industry tenders market. The Issuer expects a gradual improvement in this regard, in connection with the announced increase of investments in public sector. In addition, increasing number of grant competitions for EU subsidies will result in higher interest in the Issuer's products, especially in the environmental protection sector;
- results of the optimization of production in terms of preparation and processing of materials and semi-finished products, which gradually translates into less waste during production and into reduction of defects;
- acquisition of new orders on foreign markets within the implement pro-export strategy;
- benefits of the Strategic Partnership Agreement which shall mean the increase in number of orders for the Company’s products;
- situation on currency exchange market, particularly in terms of EUR/PLN rates fluctuation.

Contact details:

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Signatures of persons representing the Company

Stąporków, 14 November 2016

Grzegorz Pasturczak

President of the Management Board

Dariusz Cieślik

Member of the Management Board