CENTRAL SECURITIES CORPORATION

EIGHTY-EIGHTH ANNUAL REPORT

2016

SIGNS OF THE TIMES

"As recently as twenty years ago, Google didn't exist, and as recently as thirty years ago it *couldn't* have existed, since the Web didn't exist. At the close of the third quarter of 2016, Google was valued at almost five hundred and fifty billion dollars and ranked as the world's second-largest publicly traded company, by market capitalization. (The first was Apple.)

"Google offers a vivid illustration of how new technologies create new opportunities. Two computer-science students at Stanford go looking for a research project, and the result, within two decades, is worth more than the G.D.P. of a country like Norway or Austria. But Google also illustrates how, in the age of automation, new wealth can be created without creating new jobs. Google employs about sixty thousand workers. General Motors, which has a tenth of the market capitalization, employs two hundred and fifteen thousand people." (Elizabeth Kolbert. *New Yorker*, December 19, 2016)

"Stock markets have a new purpose. Once devoted to trading stocks and setting their prices, they are now the venue for buying and selling something other than shares: exchange traded funds.

"ETFs are taking over markets. Shares in Apple, the world's biggest company, turn over more than $3bn each day. But that is dwarfed by the biggest ETF, State Street's SPDR S&P 500, which trades more than $14bn each day. Five of the world's seven most heavily traded equity securities are ETFs.

"'From a modest beginning, ETFs' impact on stock trading has now reached mammoth proportions, and ETFs now account for nearly one-half of all trading in US stocks,' says Jack Bogle, founder of asset manager Vanguard." (*Financial Times*, December 6, 2016)

"…according to the American Society of Civil Engineers, a quarter of the United States' bridges are structurally deficient or obsolete. Bridges are carrying more traffic, with heavier vehicles, than they were originally designed to handle, and in 2013, the average bridge was 42 years old." (Aaron Klein, *Foreign Affairs*, September/October 2016)

"American business is increasingly shunning the traditional marker of making it – being publicly traded – in favor of private ownership. While the total number of U.S. companies continues to grow, the number that are traded on stock exchanges has plunged 45% since peaking 20 years ago. IPO's, once a bubbling indicator of U.S. business dynamism, dried up after the dotcom bust in 2000 and have never recovered, even though today's economy is far larger. Some public companies, meanwhile, are repenting of their choice and returning to private ownership. Many other companies are simply staying private." (Geoff Colvin, *Fortune*, June 1, 2016)

"The United States system for taxing businesses is a mess. If there's one thing nearly everyone can agree on, it is that.

"The current corporate income tax manages the weird trick of both taxing companies at a higher statutory rate than other advanced countries while collecting less money, as a percentage of the overall economy, than most of them. It is infinitely complicated and it gives companies incentives to borrow too much money and move operations to countries with lower tax rates." (Neil Irwin, *The New York Times*, January 8, 2017)

CENTRAL SECURITIES CORPORATION

(Organized on October 1, 1929 as an investment company, registered as such with the Securities and Exchange Commission under the provisions of the Investment Company Act of 1940)

25-YEAR HISTORICAL DATA

		Per Share of Common Stock				
			Source of dividends and distributions			
Year Ended December 31,	Total net assets	Net asset value	Ordinary income*	Long-term capital gains*	Total dividends and distributions	Unrealized appreciation of investments at end of year
1991	$131,639,511	$11.87				$ 43,465,583
1992	165,599,864	14.33	$ .20	$ .66	$ .86	70,586,429
1993	218,868,360	17.90	.18	1.42	1.60	111,304,454
1994	226,639,144	17.60	.22	1.39	1.61	109,278,788
1995	292,547,559	21.74	.33	1.60	1.93	162,016,798
1996	356,685,785	25.64	.28	1.37	1.65	214,721,981
1997	434,423,053	29.97	.34	2.08	2.42	273,760,444
1998	476,463,575	31.43	.29	1.65	1.94	301,750,135
1999	590,655,679	35.05	.26	2.34	2.60	394,282,360
2000	596,289,086	32.94	.32	4.03	4.35	363,263,634
2001	539,839,060	28.54	.22	1.58**	1.80**	304,887,640
2002	361,942,568	18.72	.14	1.11	1.25	119,501,484
2003	478,959,218	24.32	.11	1.29	1.40	229,388,141
2004	529,468,675	26.44	.11	1.21	1.32	271,710,179
2005	573,979,905	27.65	.28	1.72	2.00	302,381,671
2006	617,167,026	30.05	.58	1.64	2.22	351,924,627
2007	644,822,724	30.15	.52	1.88	2.40	356,551,394
2008	397,353,061	17.79	.36	2.10	2.46	94,752,477
2009	504,029,743	22.32	.33	.32	.65	197,256,447
2010	593,524,167	26.06	.46	.44	.90	281,081,168
2011	574,187,941	24.96	.43	.57	1.00	255,654,966
2012	569,465,087	24.53	.51	.43	.94	247,684,116
2013	648,261,868	26.78	.12	3.58	3.70	305,978,151
2014	649,760,644	26.18	.16	1.59	1.75	293,810,819
2015	582,870,527	23.53	.12	1.86	1.98	229,473,007
2016	674,683,352	27.12	.30	.68	.98	318,524,775
Dividends and distributions for the 25-year period:			$7.17	$38.54	$45.71	

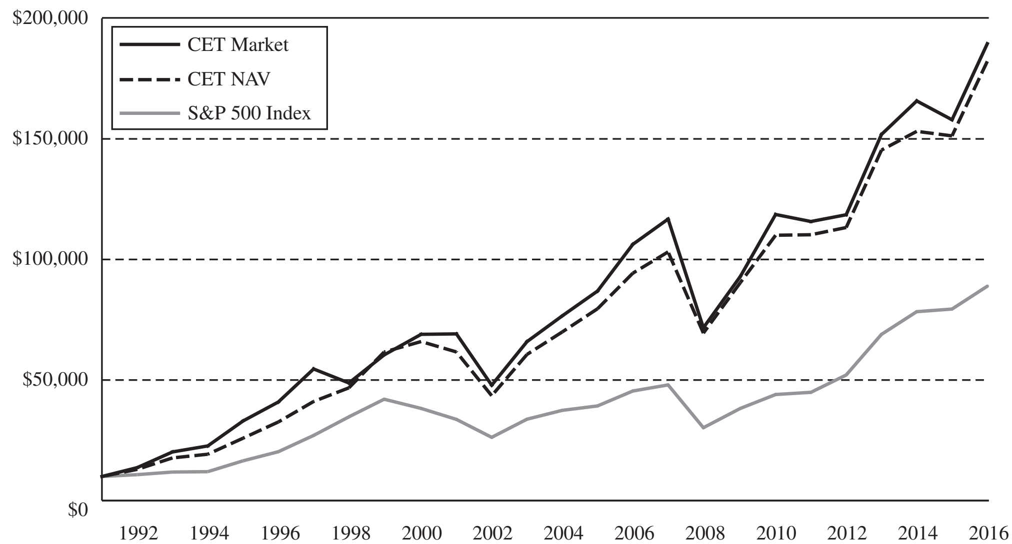
* Computed on the basis of the Corporation's status as a "regulated investment company" for Federal income tax purposes. Dividends from ordinary income include short-term capital gains.

** Includes non-taxable return of capital of $.55.

The Common Stock is listed on the NYSE MKT under the symbol CET. On December 30, 2016 (the last trading day of the year), the closing market price was $21.79 per share.

25-YEAR INVESTMENT RESULTS
ASSUMING AN INITIAL INVESTMENT OF $10,000

(unaudited)



Central's results to December 31, 2016 versus the S&P 500 Index:

Average Annual Total Return	Central's NAV Return	Central's Market Return	S&P 500 Index
1 Year	20.44%	19.97%	11.96%
5 Year	10.56%	10.36%	14.66%
10 Year	6.80%	5.95%	6.95%
15 Year	7.49%	6.95%	6.69%
20 Year	8.98%	7.97%	7.67%
25 Year	12.31%	12.49%	9.13%
Value of $10,000 invested for a 25-year period	$182,161	$189,476	$88,935

The Corporation's total returns reflect changes in market price or net asset value, as applicable, and assume reinvestment of all distributions. Distributions that are payable only in cash are assumed to be reinvested on the payable date of the distribution at the market price or net asset value, as applicable. Distributions that may be taken in shares are assumed to be reinvested at the price designated by the Corporation. Total returns do not reflect any transaction costs on investments or the deduction of taxes that investors may pay on distributions or the sale of shares.

The Standard & Poor's 500 Composite Stock Price Index (the "S&P 500 Index") is an unmanaged benchmark of large U.S. corporations that assumes reinvestment of all distributions, and excludes the effect of fees, expenses, taxes, and sales charges.

Performance data represents past performance and does not guarantee future investment results.

To the Stockholders of

CENTRAL SECURITIES CORPORATION:

Financial statements for the year 2016, as reported upon by our independent registered public accounting firm, and other pertinent information are submitted herewith.

Comparative net assets are as follows:

	December 31, 2016	December 31, 2015
Net assets	$674,683,352	$582,870,527
Net assets per share of Common Stock	27.12	23.53
Shares of Common Stock outstanding	24,881,665	24,770,073

Comparative operating results are as follows:

	Year 2016	Year 2015
Net investment income	$ 4,581,232	$ 3,456,326
Per share of Common Stock	.19*	.14*
Net realized gain from investment transactions	19,002,173	43,840,748
Increase (decrease) in net unrealized appreciation of investments	89,051,768	(64,337,812)
Increase (decrease) in net assets resulting from operations	112,635,173	(17,040,738)

* Per-share data are based on the average number of Common shares outstanding during the year.

The Corporation declared two distributions to holders of Common Stock in 2016, $.20 per share paid on June 28 in cash and $.78 per share paid on December 21 in cash or in additional shares of Common Stock at the stockholder's option. For Federal income tax purposes, of the $.98 paid, $.30 represents ordinary income and $.68 represents long-term capital gains. Separate tax notices have been mailed to stockholders. With respect to state and local taxes, the character of distributions may vary. Stockholders should consult with their tax advisors on this matter.

In the distribution paid in December, the holders of 42% of the outstanding shares of Common Stock elected stock, and they received 375,366 Common shares at a price of $21.42 per share.

During 2016, the Corporation purchased 274,922 shares of its Common Stock at an average price of $18.49 per share. The Corporation may from time to time purchase Common Stock in such amounts and at such prices as the Board of Directors may deem advisable in the best interests of stockholders. Purchases may be made on the NYSE MKT or in private transactions directly with stockholders.

Central's net asset value, adjusted for the reinvestment of distributions to shareholders, increased by 20.4% during 2016. Over the same period, Central's shares returned 20.0%. For comparative purposes, the S&P 500 Index increased by 12.0%, while the Russell 2000, a broad index composed of smaller companies increased by 21.3%.

Long-term returns on an annualized basis are shown below.

Years	NAV Return	Market Return	S&P 500
10	6.8%	6.0%	6.9%
20	9.0%	8.0%	7.7%
30	11.9%	11.5%	10.1%
40	13.3%	13.8%	11.0%

Central's largest investment continues to be The Plymouth Rock Company, a privately held company in which we invested at its inception in 1982. Its primary business is the ownership and management of property and casualty insurance companies, specializing in the coverage of personal automobiles and homes. We currently own 23% of Plymouth Rock. The company's audited results for last year are not yet available, but we anticipate that they will show an improvement over those of 2015.

Plymouth Rock's annual reports to stockholders may be accessed at www.prac.com/about-us/financial/annual-reports. The reports include audited financial statements and a letter from CEO Jim Stone which reviews notable events and achievements of the previous year and sets forth plans for the coming year. They also include observations on the insurance industry and economic trends. It is expected that Plymouth Rock's 2016 annual report to stockholders will be available in April.

Coherent, Inc. was by far the most significant contributor to our results in 2016, accounting for over one-quarter of Central's 2016 increase in net asset value. We first invested in Coherent in 2007 with the thought that, as a leader in the photonics industry, it would continue to introduce new products as well as possibly lead consolidation in its industry. Coherent, led by CEO John Ambroseo, has delivered on both fronts, and Central, as a shareholder, has been a fortunate beneficiary. Central's investments in financial stocks collectively also contributed strongly to this year's results. Other investments with strong results were Plymouth Rock, Brady Corporation, Analog Devices, Inc. and Motorola Solutions, Inc. Detractors included Liberty Global plc LiLAC, Medtronic plc, TRI Pointe Group, Inc., Roper Technologies, Inc. and Sonus Networks, Inc.

We made a limited number of portfolio changes during 2016. We added eight new investments and sold only one, Precision Castparts Corporation, which was acquired by Berkshire Hathaway for cash. New investments include Liberty Global plc (and Liberty Global plc LiLAC), Wells Fargo & Company, Tiffany & Co., Charles Schwab Corporation, Microsoft Corporation, Wynn Resorts Ltd., and AIA Group Ltd. ADR.

Last year equity markets throughout the world were supported by "easy money" and ultra-low interest rates (in some cases negative interest rates) provided by central banks. Recently rates in the United States have moved up and some observers have indicated they believe that the very long "bull market" in bonds has ended. If that is the case and if it results from accelerating economic activity, it may be positive for equity investors.

The increase in Exchange Traded Funds ("ETF's") and the decline in the number of publicly traded companies, two trends which have been in increasing evidence in the past few years, continued in 2016. Observers believe the buying and selling of ETF shares now represents almost one-half of total trading volume. This phenomenon coupled with the decline in the number of publicly traded companies is changing the landscape for equity investors. Notwithstanding these trends, we believe Central should adhere to its longstanding investment approach. Central's investment results depend on the results of the companies in which we invest, not short-term trading or market timing.

Central is an independent, internally managed investment company. Its investment objective is long-term growth of capital. Our approach is based on value investing, but while we emphasize value, we do not ignore growth. From a practical standpoint, we invest without reference to a benchmark index; however, our goal is to generate superior results when compared with the broad market. We search for a limited number of investments which we can purchase at a reasonable price in relation to their probable and potential intrinsic value over a period of years and then hold through the inevitable stock market ups and downs. We believe that Central's ability to take a long-term view has been and will continue to be advantageous to shareholders.

Shareholder's inquiries are welcome.

CENTRAL SECURITIES CORPORATION

WILMOT H. KIDD, President

TEN LARGEST INVESTMENTS

December 31, 2016

(unaudited)

	Cost (mil.)	Value (mil.)	% of Net Assets	Year First Acquired
The Plymouth Rock Company, Inc. . . . . Plymouth Rock underwrites and services around $1 billion in automobile and homeowner's insurance premiums in the Northeast. Founded in 1982, it has grown both organically and by acquisition.	$ 0.7	$125.1	18.5%	1982
Coherent, Inc. . . . . Coherent is a leading producer of commercial and scientific laser systems and components with around $850 million in sales to diverse end-markets.	10.3	56.5	8.4	2007
Analog Devices, Inc. . . . . Analog Devices designs, manufactures and markets integrated circuits used in analog and digital signal processing, and has $3.4 billion in global product sales to industrial, communications, consumer, automotive & computer end-markets.	6.2	32.7	4.8	1987
Intel Corporation . . . . Intel is the world's largest semiconductor chip maker, based on revenue of $55 billion. It develops advanced integrated circuits for industries such as computing and communications.	8.4	31.9	4.7	1986
Capital One Financial Corporation . . . . Capital One is one of the 10 largest banks in the US based on deposits of over $225 billion. It generates revenues of $23 billion.	16.9	25.3	3.7	2013
Motorola Solutions, Inc. . . . . Motorola Solutions, with sales of $5.7 billion, is a leading provider of emergency-response and public-safety communication infrastructure, devices, software and services to governments and enterprises globally.	14.1	24.9	3.7	2000
Citigroup Inc. . . . . Citigroup is a diversified global financial services company for individuals, corporations, governments and institutions, with revenues of $76 billion.	19.7	23.8	3.5	2013
The Bank of New York Mellon Corporation . . . . Bank of New York is a global leader in custodial services, securities processing and asset management with $30 trillion in assets under custody and $1.7 trillion under management.	8.4	19.0	2.8	1993
Rayonier Inc. . . . . Rayonier is a real estate investment trust with over 2.5 million acres of timberlands in the Southern and Pacific Northwest United States and in New Zealand.	21.1	18.6	2.8	2014
Brady Corporation . . . . Brady manufactures and markets specialty materials and identification solutions that identify and protect premises, products, and people. Brady has sales of over $1.1 billion from its more than 50,000 products.	0.9	17.9	2.7	1984

DIVERSIFICATION OF INVESTMENTS

December 31, 2016

(unaudited)

	Issues	Cost	Value	Percent of Net Assets December 31, 2016	2015 (a)
Common Stocks:					
Insurance	4	$15,083,261	$143,785,760	21.3%	22.0%
Technology Hardware and Equipment	4	36,659,551	95,614,891	14.2	11.4
Diversified Financial	6	53,124,118	71,823,510	10.6	11.0
Semiconductor	2	14,576,768	64,596,600	9.6	9.7
Banks	3	38,509,231	52,052,000	7.7	6.2
Diversified Industrial	3	8,626,675	38,664,500	5.7	10.9
Health Care	3	32,737,584	37,646,200	5.6	6.0
Media	4	30,067,404	32,562,140	4.8	2.4
Real Estate Investment Trusts	1	21,120,478	18,620,000	2.8	2.7
Retailing	2	10,493,020	17,491,310	2.6	1.5
Other	6	47,135,996	53,801,950	8.0	6.6
Short-Term Investments	3	44,986,956	44,986,956	6.7	9.4

(a) Certain amounts from 2015 have been adjusted to conform to 2016 presentation.

PRINCIPAL PORTFOLIO CHANGES

October 1 to December 31, 2016

(Common Stock unless specified otherwise)
(unaudited)

	Number of Shares Purchased	Sold	Held December 31, 2016
Brady Corporation		22,000	478,000
Coherent, Inc.		14,000	411,000
Liberty Global plc	10,000		210,000
Liberty Global plc LiLAC	30,000		200,000
Medtronic plc	30,000		250,000
Roper Technologies, Inc.		10,000	70,000
Wynn Resorts Ltd.	30,000		30,000

STATEMENT OF INVESTMENTS

December 31, 2016

Shares		Value
	COMMON STOCKS 92.9%	
	Banks 7.7%	
400,000	Citigroup Inc.	$ 23,772,000
200,000	JPMorgan Chase & Co.	17,258,000
200,000	Wells Fargo & Company	11,022,000
		52,052,000
	Commercial & Professional Services 1.6%	
700,000	Heritage-Crystal Clean, Inc. (a)	10,990,000
	Consumer Durables 1.2%	
700,000	TRI Pointe Group, Inc. (a)	8,036,000
	Consumer Services 0.4%	
30,000	Wynn Resorts Ltd.	2,595,300
	Diversified Financial 10.6%	
150,000	American Express Company	11,112,000
400,000	The Bank of New York Mellon Corporation	18,952,000
10	Berkshire Hathaway Inc. Class A (a)	2,441,210
290,000	Capital One Financial Corporation	25,299,600
210,000	The Charles Schwab Corporation	8,288,700
200,000	Encore Capital Group, Inc. (a)	5,730,000
		71,823,510
	Diversified Industrial 5.7%	
478,000	Brady Corporation Class A	17,948,900
250,000	General Electric Company	7,900,000
70,000	Roper Technologies, Inc.	12,815,600
		38,664,500
	Energy 2.4%	
230,000	Murphy Oil Corporation	7,159,900
125,000	Occidental Petroleum Corporation	8,903,750
		16,063,650
	Health Care 5.6%	
70,000	Johnson & Johnson	8,064,700
250,000	Medtronic plc	17,807,500
200,000	Merck & Co., Inc.	11,774,000
		37,646,200
	Insurance 21.3%	
12,000	AIA Group Ltd. ADR	269,640
21,000	Alleghany Corporation (a)	12,770,520
28,424	The Plymouth Rock Company, Inc. Class A (b)(c)	125,065,600
160,000	Progressive Corporation	5,680,000
		143,785,760

Shares		Value
	Media 4.8%	
18,000	Cable One, Inc.	$ 11,191,140
200,000	John Wiley & Sons, Inc. Class A	10,900,000
210,000	Liberty Global plc Class C (a)	6,237,000
200,000	Liberty Global plc LiLAC Class C (a)	4,234,000
		32,562,140
	Metals and Mining 0.3%	
150,000	Freeport-McMoRan Inc. (a)	1,978,500
	Real Estate Investment Trusts 2.8%	
700,000	Rayonier Inc.	18,620,000
	Retailing 2.6%	
13,000	Amazon.com, Inc. (a)	9,748,310
100,000	Tiffany & Co.	7,743,000
		17,491,310
	Semiconductor 9.6%	
450,000	Analog Devices, Inc.	32,679,000
880,000	Intel Corporation	31,917,600
		64,596,600
	Software and Services 2.1%	
10,000	Alphabet Inc. Class A (a)	7,924,500
100,000	Microsoft Corporation	6,214,000
		14,138,500
	Technology Hardware and Equipment 14.2%	
411,000	Coherent, Inc. (a)	56,465,235
310,000	Keysight Technologies, Inc. (a)	11,336,700
300,000	Motorola Solutions, Inc.	24,867,000
467,612	Sonus Networks, Inc. (a)	2,945,956
		95,614,891
	Total Common Stocks (cost $308,134,086)	626,658,861
	SHORT-TERM INVESTMENTS 6.7%	
Principal		
	U.S. Treasury Bills 6.7%	
$45,000,000	U.S. Treasury Bills 0.44% – 0.47%, due 1/12/17 – 2/9/17 (d) (cost $44,986,956)	44,986,956
	Total Investments (cost $353,121,042) (e) (99.6%)	671,645,817
	Cash, receivables and other assets less liabilities (0.4%)	3,037,535
	Net Assets (100%)	$674,683,352

(a) Non-dividend paying.
(b) Affiliate as defined in the Investment Company Act of 1940.
(c) Valued based on Level 3 inputs – see Note 2.
(d) Valued based on Level 2 inputs – see Note 2.
(e) Aggregate cost for Federal tax purposes is substantially the same.

See accompanying notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2016

ASSETS:		
Investments:		
General portfolio securities at market value (cost $307,423,486) (Note 1)	$501,593,261	
Securities of affiliated companies (cost $710,600) (Notes 1, 5 and 6)	125,065,600	
Short-term investments (cost $44,986,956)	44,986,956	$671,645,817
Cash, receivables and other assets:		
Cash	2,504,639	
Dividends receivable	604,500	
Office equipment and leasehold improvements, net	11,539	
Other assets	66,858	3,187,536
Total Assets		674,833,353
LIABILITIES:		
Accrued expenses and other liabilities	150,001	
Total Liabilities		150,001
NET ASSETS		$674,683,352
NET ASSETS are represented by:		
Common Stock $1 par value: authorized 40,000,000 shares; issued 24,881,665 (Note 3)		$ 24,881,665
Surplus:		
Paid-in	$328,265,567	
Undistributed net realized gain on sale of investments	2,629,256	
Undistributed net investment income	382,089	331,276,912
Net unrealized appreciation of investments		318,524,775
NET ASSETS		$674,683,352
NET ASSET VALUE PER COMMON SHARE (24,881,665 shares outstanding)		$27.12

See accompanying notes to financial statements.

STATEMENT OF OPERATIONS

For the year ended December 31, 2016

INVESTMENT INCOME		
Income:		
Dividends from unaffiliated companies	$ 7,182,611	
Dividends from affiliated companies (Note 5)	2,683,226	
Interest	119,263	$ 9,985,100
Expenses:		
Investment research	2,472,728	
Administration and operations	1,596,737	
Occupancy and office operating expenses	486,066	
Directors' fees	219,235	
Software and information services	138,475	
Legal, auditing and tax preparation fees	135,560	
Franchise and miscellaneous taxes	94,795	
Stockholder communications and meetings	73,861	
Transfer agent, registrar and custodian fees and expenses	61,191	
Miscellaneous	125,220	5,403,868
Net investment income		4,581,232
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain from unaffiliated companies	19,002,173	
Increase in net unrealized appreciation of investments	89,051,768	
Net gain on investments		108,053,941
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		$112,635,173

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31, 2016 and 2015

	2016	2015
FROM OPERATIONS:		
Net investment income	$ 4,581,232	$ 3,456,326
Net realized gain from investment transactions	19,002,173	43,840,748
Increase (decrease) in net unrealized appreciation of investments	89,051,768	(64,337,812)
Increase (decrease) in net assets resulting from operations	112,635,173	(17,040,738)
DISTRIBUTIONS TO STOCKHOLDERS FROM:		
Net investment income	(4,904,353)	(2,887,605)
Net realized gain from investment transactions	(19,107,993)	(44,618,678)
Decrease in net assets from distributions	(24,012,346)	(47,506,283)
FROM CAPITAL SHARE TRANSACTIONS: (Notes 3 and 8)		
Distribution to stockholders reinvested in Common Stock	8,040,340	18,357,469
Issuance of shares of Common Stock to directors and employees	234,297	176,713
Cost of treasury stock purchased	(5,084,639)	(20,877,278)
Increase (decrease) in net assets from capital share transactions	3,189,998	(2,343,096)
Total increase (decrease) in net assets	91,812,825	(66,890,117)
NET ASSETS:		
Beginning of year	582,870,527	649,760,644
End of year (including undistributed net investment income of $382,089 and $697,798, respectively)	$674,683,352	$582,870,527

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets from operations		$112,635,173
Adjustments to increase in net assets from operations:		
Purchases of securities	($52,425,369)	
Proceeds from securities sold	60,607,199	
Net decrease in short-term investments	9,988,414	
Net realized gain from investments	(19,002,173)	
Increase in net unrealized appreciation	(89,051,768)	
Non-cash stock compensation	234,297	
Depreciation and amortization	8,896	
Changes in operating assets and liabilities:		
Increase in dividends receivable	(91,364)	
Increase in office equipment and leasehold improvements	(2,012)	
Decrease in other assets	15,915	
Increase in accrued expenses and other liabilities	14,991	
Total adjustments		(89,702,974)
Net cash provided by operating activities		22,932,199
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends and distributions paid	(15,972,006)	
Treasury stock purchased	(5,084,639)	
Cash used in financing activities		(21,056,645)
Net increase in cash		1,875,554
Cash at beginning of year		629,085
Cash at end of year		$ 2,504,639

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Non-cash financing activities not included herein consist of:	
Reinvestment of dividends and distributions to stockholders	$ 8,040,340
Issuance of shares of Common Stock to directors and employees	$ 234,297

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. *Significant Accounting Policies*—Central Securities Corporation (the "Corporation") is registered under the Investment Company Act of 1940, as amended, as a non-diversified, closed-end management investment company. The following is a summary of the significant accounting policies consistently followed by the Corporation in the preparation of its financial statements. These policies are in conformity with generally accepted accounting principles.

Security Valuation—Marketable common stocks are valued at the last or closing sale price or, if unavailable, at the closing bid price. Short-term investments are valued at amortized cost, which approximates fair value. Securities for which no ready market exists are valued at estimated fair value pursuant to procedures adopted by the Board of Directors. The determination of fair value involves subjective judgments. As a result, using fair value to price a security may result in a price materially different from the price used by other investors or the price that may be realized upon the actual sale of the security.

Federal Income Taxes—It is the Corporation's policy to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income and net capital gains to its stockholders. Management has analyzed positions taken on the Corporation's tax returns and has determined that no provision for income taxes is required in the accompanying financial statements. The Corporation's Federal, state and local tax returns for the current and previous three fiscal years remain subject to examination by the relevant taxing authorities.

Use of Estimates—The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Actual results may differ from those estimates.

Other—Security transactions are accounted for as of the trade date, and cost of securities sold is determined by specific identification. Dividend income and distributions to stockholders are recorded on the ex-dividend date.

2. *Fair Value Measurements*—The Corporation's investments are categorized below in three broad hierarchical levels based on market price observability as follows:

- Level 1—Quoted prices in active markets for identical investments;
- Level 2—Other significant observable inputs obtained from independent sources, for example, quoted prices in active markets for similar investments;
- Level 3—Significant unobservable inputs including the Corporation's own assumptions based upon the best information available. The Corporation's only Level 3 investment is The Plymouth Rock Company, Inc. Class A Common Stock ("Plymouth Rock").

The designated Level for a security is not necessarily an indication of the risk associated with investing in that security.

The Corporation's investments as of December 31, 2016 are classified as follows:

	Level 1	Level 2	Level 3	Total Value
Common stocks	$501,593,261	—	$125,065,600	$626,658,861
Short-term investments	—	$44,986,956	—	44,986,956
Total	$501,593,261	$44,986,956	$125,065,600	$671,645,817

The following is a reconciliation of the change in the value of Level 3 investments:

Balance as of December 31, 2015	$113,696,000
Net realized gains and change in unrealized appreciation of investments included in increase in net assets from operations	11,369,600
Balance as of December 31, 2016	$125,065,600

Unrealized appreciation of Level 3 investments held as of December 31, 2016 increased during the year by $11,369,600, which is included in the above table.

In valuing the Plymouth Rock Level 3 investment as of December 31, 2016, management used a number of significant unobservable inputs to develop a range of possible values for the investment. It used a comparable company approach that utilized the following valuation multiples from selected publicly traded companies: price-to-book value (range: 0.6 – 2.4); price-to-earnings (range: 10.9 – 29.5); and price-to-revenue (range 0.6 – 1.3). Management also used a discounted cash flow model based on a forecasted return on equity ranging from 7%-8% and a weighted average cost of capital of 10%. An independent valuation of Plymouth Rock's shares was also considered. The value obtained from weighting the three methods described above (with greater weight given to the comparable company approach) was then discounted for the lack of marketability by 20% and 40%, a range management believes market participants would apply. The resulting range of values, together with the underlying support, other information about Plymouth Rock's financial condition and results of operations, its corporate governance, the insurance industry outlook and transacted values in Plymouth Rock's shares, were considered by the Corporation's directors, who selected the value for the investment.

Significant increases (decreases) in the value of the price-to-book value multiple, price-to-earnings multiple, price-to-revenue multiple and return on equity in isolation would result in a higher (lower) range of fair value measurements. Significant increases (decreases) in the value of the discount for lack of marketability or weighted average cost of capital in isolation would result in a lower (higher) range of fair value measurements.

3. *Common Stock and Dividend Distributions*—At the Corporation's annual meeting of stockholders on March 23, 2016, stockholders approved an increase in the authorized number of shares of Common Stock from 30,000,000 to 40,000,000.

The Corporation purchased 274,922 shares of its Common Stock in 2016 at an average price of $18.49 per share representing an average discount from net asset value of 20.4%. It may from time to time purchase Common Stock in such amounts and at such prices as the Board of Directors may deem advisable in the best interests of the stockholders. Purchases will only be made at less than net asset value per share, thereby increasing the net asset value of shares held by the remaining stockholders. Shares so acquired may be held as treasury stock available for stock distributions, or may be retired.

The Corporation declared two distributions to holders of Common Stock in 2016, $.20 per share paid on June 28 in cash and $.78 per share paid on December 21 in cash or in additional shares of Common Stock at the stockholder's option. In connection with the December 21 distribution, 353,682 treasury shares were distributed and 21,684 shares of Common Stock were issued, all at a price of $21.42 per share.

The tax character of dividends and distributions paid during the year was ordinary income, $7,350,277 and long-term capital gain, $16,662,069; for 2015, it was $2,887,605 and $44,618,678, respectively. As of December 31, 2016, for tax purposes, undistributed ordinary income was $628,459 and undistributed long-term realized capital gain was $2,629,256. Dividends and distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. Financial statements are adjusted for permanent book-tax differences; such adjustments were not material for the year ended December 31, 2016.

4. *Investment Transactions*—The aggregate cost of securities purchased and the aggregate proceeds of securities sold during the year ended December 31, 2016, excluding short-term investments, were $52,425,369 and $60,607,199, respectively.

As of December 31, 2016, based on cost for Federal income tax purposes, the aggregate gross unrealized appreciation and depreciation for all securities were $339,185,019 and $20,660,244, respectively.

5. *Affiliated Companies*—Plymouth Rock is an affiliated company as defined in the Investment Company Act of 1940 due to the Corporation's ownership of 5% or more of the company's outstanding voting securities. During the year ended December 31, 2016, the Corporation received dividends of $2,683,226 from Plymouth Rock. The President of the Corporation is a director of Plymouth Rock.

6. *Restricted Securities*—The Corporation may from time to time invest in securities the resale of which is restricted. On December 31, 2016, the Corporation's restricted securities consisted of 28,424 shares of Plymouth Rock Class A stock that were acquired on December 15, 1982 at a cost of $710,600. This security had a value of $125,065,600 at December 31, 2016, which was equal to 18.5% of the Corporation's net assets. The Corporation does not have the right to demand registration of this security.

7. *Bank Line of Credit*—The Corporation has entered into a $25 million uncommitted, secured revolving line of credit with UMB Bank, n.a. ("UMB"), the Corporation's custodian. All borrowings are payable on demand of UMB. Interest on any borrowings is payable monthly at a rate based on the federal funds rate, subject to a minimum annual rate of 2.50%. No borrowings were made during the year ended December 31, 2016.

8. *Compensation and Benefit Plans*—The aggregate remuneration paid to all officers during the year ended December 31, 2016 was $3,288,523.

Officers and other employees participate in a 401(k) profit sharing plan. The Corporation has agreed to contribute 3% of each participant's qualifying compensation to the plan, which is immediately vested. Contributions in excess of 3% may be made at the discretion of the Board of Directors and vest after three years of service. During the year ended December 31, 2016, the Corporation contributed $231,009 to the plan, which represented 15% of total qualifying compensation.

The Corporation maintains an incentive compensation plan (the "2012 Plan") which permits the granting of awards of unrestricted stock, restricted stock, restricted stock units and cash to full-time employees and non-employee directors of the Corporation. The 2012 Plan provides for the issuance of up to 1,000,000 shares of the Corporation's Common Stock over the ten-year life of the 2012 Plan, of which 954,213 remain available for future grants at December 31, 2016. The 2012 Plan limits the amount of shares that can be awarded to any one person in total or within a certain time period. Any award made under the 2012 Plan may be subject to performance conditions. The 2012 Plan is administered by the Corporation's Compensation and Nominating Committee.

A summary of awards of unrestricted shares of Common Stock granted and issued in 2016 is presented below. The fair value of unrestricted stock is the average of the high and low prices of the Corporation's Common Stock on the grant date.

	Officers and employees	Non-employee directors
Number of shares granted	9,492	3,000
Number of shares surrendered for withholding taxes	(1,344)	n/a
Number of shares issued	8,148	3,000
Weighted average grant date fair value	$21.76	$19.00

Pursuant to the terms of the 2012 Plan, each non-employee director is awarded 500 shares of vested unrestricted Common Stock at initial election to the Board of Directors and annually after re-election at the Corporation's annual meeting. The aggregate value of these awards made in 2016 was $56,985. This amount plus cash payments of $162,250 made to all non-employee directors are included in Directors' fees expense in the accompanying Statement of Operations.

9. *Operating Lease Commitment*—The Corporation has an operating lease for office space that expires on June 30, 2019. Future minimum rental commitments under the lease aggregate $937,210 at December 31, 2016 as follows: $374,884 annually in 2017–2018 and $187,442 in 2019. The lease agreement contains escalation clauses relating to operating costs and real property taxes. The landlord may terminate the lease with one-year's notice, in which case the Corporation's rental commitment would end as of the termination date.

FINANCIAL HIGHLIGHTS

The following table shows per share operating performance data, total returns, ratios and supplemental data for each year in the five-year period ended December 31, 2016. This information has been derived from information contained in the financial statements and market price data for the Corporation's shares.

The Corporation's total returns reflect changes in market price or net asset value, as applicable, and assume reinvestment of all distributions. Distributions that are payable only in cash are assumed to be reinvested at the market price or net asset value, as applicable, on the payable date of the distribution. Cash distributions payable in subsequent years are assumed to be reinvested at the year end market price or net asset value, as applicable. Distributions that may be taken in shares are assumed to be reinvested at the price designated by the Corporation.

	2016	2015	2014	2013	2012
Per Share Operating Performance:					
Net asset value, beginning of year	$ 23.53	$ 26.18	$ 26.78	$ 24.53	$ 24.96
Net investment income (a)	.19	.14	.13	.10	.53
Net realized and unrealized gain (loss) on securities (a)	4.41	(.83)	1.12	6.13	.03
Total from investment operations	4.60	(.69)	1.25	6.23	.56
Less:					
Dividends from net investment income	.20	.12	.14	.12	.51
Distributions from capital gains	.78	1.86	1.61	3.58	.43
Total distributions	.98	1.98	1.75	3.70	.94
Net change from capital share transactions	(.03)	.02	(.10)	(.28)	(.05)
Net asset value, end of year	$ 27.12	$ 23.53	$ 26.18	$ 26.78	$ 24.53
Per share market value, end of year	$ 21.79	$ 19.02	$ 21.97	$ 21.72	$ 19.98
Total return based on market (%)	19.97	(4.71)	9.52	28.40	1.25
Total return based on NAV (%)	20.44	(1.23)	5.35	28.36	2.70
Ratios/Supplemental Data:					
Net assets, end of year (000)	$674,683	$582,871	$649,761	$648,262	$569,465
Ratio of expenses to average net assets (%)	.88	.72	.67	.77	.79
Ratio of net investment income to average net assets (%)	.75	.56	.47	.38	2.14
Portfolio turnover rate (%)	9.48	25.48	13.07	16.72	3.55

(a) Based on the average number of shares outstanding during the year.

See accompanying notes to financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
Central Securities Corporation

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Central Securities Corporation (the "Corporation") as of December 31, 2016, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended. These financial statements and financial highlights are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2016 by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Central Securities Corporation as of December 31, 2016, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

New York, NY
January 27, 2017

OTHER INFORMATION

Direct Registration

The Corporation utilizes direct registration, a system that allows for book-entry ownership and the electronic transfer of the Corporation's shares. Stockholders may find direct registration a convenient way of managing their investment. Stockholders wishing certificates may request them.

A pamphlet which describes the features and benefits of direct registration, including the ability of shareholders to deposit certificates with our transfer agent, can be obtained by calling Computershare Trust Company at 1-800-756-8200, calling the Corporation at 1-866-593-2507 or visiting our website: www.centralsecurities.com under Contact Us.

Proxy Voting Policies and Procedures

The policies and procedures used by the Corporation to determine how to vote proxies relating to portfolio securities and the Corporation's proxy voting record for the twelve-month period ended June 30, 2016 are available: (1) without charge, upon request, by calling us at our toll-free telephone number (1-866-593-2507), (2) on the Corporation's website at www.centralsecurities.com and (3) on the Securities and Exchange Commission's website at www.sec.gov.

Quarterly Portfolio Information

The Corporation files its complete schedule of portfolio holdings with the SEC for the first and the third quarter of each fiscal year on Form N-Q. The Corporation's Form N-Q filings are available on the SEC's website at www.sec.gov. Those forms may be reviewed and copied at the SEC's Public Reference Room in Washington D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Privacy Policy

In order to conduct its business, the Corporation, through its transfer agent, Computershare Trust Company, collects and maintains certain nonpublic personal information about our stockholders of record in connection with their transactions in shares of our securities. This information includes the shareholder's address, tax identification number and number of shares. We do not collect or maintain personal information about stockholders whose shares are held in "street name" by a financial institution such as a bank or broker.

We do not disclose any nonpublic personal information about our stockholders to third parties unless necessary to process a transaction, service an account or as otherwise permitted by law.

To protect your personal information internally, we restrict access to nonpublic personal information about our stockholders to those employees who need to know that information to provide services to our stockholders.

Forward-Looking Statements

This report may contain "forward-looking statements" within the meaning of the Securities Exchange Act of 1934. You can identify forward-looking statements by words such as "believe," "expect," "may," "anticipate," and other similar expressions when discussing prospects for particular portfolio holdings and/or markets, generally. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. We cannot assure future results and disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

BOARD OF DIRECTORS AND OFFICERS

Name (age)	Principal Occupation (last five years) and position with the Corporation (if any)	Other Public Company Directorships held by Directors
Independent Directors		
L. PRICE BLACKFORD (65) Director since 2012	Managing Director, Scott-Macon, Ltd. (investment banking) since 2013; Senior Advisor, Sagent Advisors (investment banking) prior thereto	None
SIMMS C. BROWNING (76) Director since 2005	Retired 2003; Vice President, Neuberger Berman, LLC (asset management) prior thereto	None
DONALD G. CALDER (79) Director since 1982	Chairman, Clear Harbor Asset Management, LLC since 2010; President G.L. Ohrstrom & Co. Inc. (private investment firm) prior thereto	Brown-Forman Corporation (beverages) until 2010; Carlisle Companies (industrial conglomerate) until 2009 and Roper Technologies, Inc. (manufacturing) until 2008
DAVID C. COLANDER (69) Director since 2009	Professor of Economics, Middlebury College	None
JAY R. INGLIS (82) Director since 1973	Retired since 2014; Vice President and General Counsel, International Claims Management, Inc. prior thereto	None
C. CARTER WALKER (82) Director since 1974	Retired; Private Investor	None
Interested Director		
WILMOT H. KIDD (75) Director since 1972	Chairman and President, Central Securities Corporation	Silvercrest Asset Management Group, Inc. since 2011

Other Officers

JOHN C. HILL (43)	Vice President since 2016; Analyst, Davis Advisors, 2009-2016
MARLENE A. KRUMHOLZ (53)	Vice President since 2009 and Secretary since 2001
ANDREW J. O'NEILL (44)	Vice President since 2011, Investment Analyst since 2009
LAWRENCE P. VOGEL (60)	Treasurer since 2010 and Vice President since 2009

The Corporation is a stand-alone investment company. The address of each Director and officer is c/o Central Securities Corporation, 630 Fifth Avenue, New York, New York 10111. All Directors serve for a term of one year and are elected by stockholders at the Corporation's annual meeting. Officers serve at the pleasure of the Board of Directors.

BOARD OF DIRECTORS

Wilmot H. Kidd, Chairman
L. Price Blackford, Lead Independent Director
Simms C. Browning
Donald G. Calder
David C. Colander
Jay R. Inglis
C. Carter Walker, Jr.

OFFICERS

Wilmot H. Kidd, President
John C. Hill, Vice President
Marlene A. Krumholz, Vice President and Secretary
Andrew J. O'Neill, Vice President
Lawrence P. Vogel, Vice President and Treasurer

OFFICE

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TRANSFER AGENT AND REGISTRAR

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CUSTODIAN

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Kansas City, MO

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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New York, NY