The Stalprodukt S.A. Capital Group

Consolidated Financial Report of Stalprodukt S.A. Capital Group for the accounting year 2017

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

Bochnia, April 2018

Selected financial data

SELECTED FINANCIAL DATA	2017	2016	2017	2016
I. Net sales of products, goods and materials	3 501 090	3 140 935	824 814	717 813
II. Operating profit (loss)	359 614	412 869	84 721	94 355
III. Profit (loss) before taxation	347 474	425 367	81 861	97 211
IV. Net profit (loss)	275 428	345 254	64 888	78 903
- attributable to shareholders of the parent company	254 452	325 777	59 946	74 452
- net profit attributed to non-controlling interests	20 976	19 477	4 942	4 451
V. Net cash flow from operating activities	431 518	266 874	101 660	60 990
VI. Net cash flow from investment activities	-156 645	-197 261	-36 904	-45 081
VII. Net cash flow from financial activities	-63 015	-51 096	-14 845	-11 677
VIII. Total net cash flow	211 858	18 517	49 911	4 232
IX. Total assets	3 937 757	3 718 971	944 102	840 635
X. Liabilities and provisions for liabilities	1 702 089	1 782 217	408 087	402 852
XI. Long-term liabilities	485 665	502 156	116 441	113 507
XII. Short-term liabilities	884 641	937 956	212 098	212 015
XIII. Shareholders' equity	2 235 668	1 936 754	536 016	437 783
- equity attributable to shareholders of the parent company	2 145 299	1 856 182	514 349	419 571
- equity attributed to non-controlling interests	90 369	80 572	21 667	18 212
XIV. Share capital	11 161	11 161	2 676	2 523
XV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XVI. Profit (loss) for one ordinary share (in PLN)	49,36	61,87	11,63	14,14
XVII. Book value per share (PLN)	400,72	347,07	96,08	78,45
XVIII. Declared or paid-out dividend for one share in (PLN/EUR)	3,00	3,00	0,71	0,69

1. Average exchange rates of zloty in NBP during the periods covered by the financial report and comparable financial data in relation to the Euro amounted to:
a) rate of exchange at end of 2017 and 2016, 4.1709 and 4.4240 respectively
b) the average rate, calculated as the arithmetical average of the exchange rates valid on the last day of each month of the year 2017 and 2016, 4.2447 and 4.3757 respectively
c) the lowest rate for 2017 and 2016, 4.1709 and 4.2355 respectively
d) the highest rate in 2017 and 2016, 4.4157 and 4.5035 respectively.

2. Basic items of the balance sheet, profit and loss account and cash flow statement were converted into Euro and presented in selected financial data.

For conversion of currency in PLN into Euros, the following rates of EUR were used, according to the following rules:
- items of assets and liabilities were converted into Euros according to the average exchange rate announced by the NBP as at 31.12.2017 and amounting to 4.1709 and 4.4240 as at 31.12.2016 (section 1a)

- items of profit and loss account and cash flows statement were converted into Euros according to the average rate which is an arithmetic average of average EUR rates announced by the NBP on the last day of each month covered by the report and amounting to 4.2447 for the year 2017 and 4.3757 for the year 2016 (section 1b).

3. For profit-per-share calculation the number of 5,580,267 shares was adopted.
4. In item XVIII the dividend-per-share level was presented, as disbursed by the Issuer in 2017 in respect of 2016.

Bochnia, 25 April 2018

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Józef Ryszka Member of the Board –Marketing Director	Łukasz Mentel Member of the Board – Financial Director	Piotr Janeczek President of the Board – Chief Executive Officer

CONSOLIDATED BALANCE SHEET	Note	thousand x PLN	
		2017	2016
Assets			
I. Fixed assets		**2 035 926**	**2 049 396**
1. Intangible assets, including:	1	141 505	135 157
- right of perpetual land use		82 000	81 968
2. Property, plant and equipment	2	1 768 000	1 775 628
3. Long-term receivables		536	686
4. Long-term investments	3	48 278	46 029
4.1. Real estate investments		3 296	3 838
4.2. Intangible and legal assets			
4.3 Long-term financial assets		44 982	42 191
4.4. Investments in affiliated entities			
4.5. Other long-term investments			
5. Long-term accruals		77 607	91 896
5.1. Assets on account of deferred income tax	4	61 380	76 906
5.2. Other accruals		16 227	14 990
II. Current assets		**1 901 831**	**1 669 575**
1. Stocks	5	643 461	604 582
2. Short-term receivables	6	564 888	587 551
3. Short-term investments	7	666 844	451 574
3.1 Short-term financial assets		618 875	352 365
a) loans		50 000	40 000
b) short-term securities		70 838	26 186
c) monetary resources and their equivalents		498 037	286 179
3.2. Other short-term investments		47 969	99 209
4. Short-term accruals	8	26 638	25 868
Assets in total		**3 937 757**	**3 718 971**
Liabilities			
I. Equity		**2 235 668**	**1 936 754**
1. Equity assigned to the shareholders of the dominating entity		2 145 299	1 856 182
1.1. Share capital	9	11 161	11 161
1.2. Treasury shares (negative value)	10		
1.3. Supplementary capital	11	490 963	383 479
1.4. Capital from revaluation	12	-126 978	-169 860
1.5. Other supplementary capitals	13	1 477 155	1 376 022
1.6. Profit (loss) from previous years		38 546	-70 397
1.7. Profit (loss) net		254 452	325 777

2. Capital non-controlling interests	14	90 369	80 572
II. Liabilities and provisions for liabilities		**1 702 089**	**1 782 217**
1. Provisions for liabilities	15	313 769	325 810
1.1. Provision on account of deferred income tax		90 029	81 471
1.2. Other provisions		223 740	244 339
a) long-term		158 569	149 033
b) short-term		65 171	95 306
2. Long-term liabilities	16	485 665	502 156
2.1. Long-term credits and loans		101 738	102 640
2.2. Other long-term liabilities		87 812	103 401
2.3. Contingent liabilities due to the purchase of ZGH		296 115	296 115
3. Short-term liabilities	17	884 641	937 956
3.1. Short-term credits and loans		235 294	229 176
3.2. Short-term part of long-term credits and loans			25 000
3.3. Liabilities for supplies and services provided		311 884	336 852
3.4. Liabilities on account of current income tax		20 809	31 165
3.5. Other short-term liabilities		316 654	315 763
4. Accrued liabilities	18	18 014	16 295
Liabilities in total		**3 937 757**	**3 718 971**

Book value		**2 236 127**	**1 936 754**
Number of shares (in items)		**5 580 267**	**5 580 267**
Book value for one share (in PLN)	19	**400,72**	**347,07**

Bochnia, 25 April 2018

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Józef Ryszka
Member of the Board
–Marketing Director

Łukasz Mentel
Member of the Board
– Financial Director

Piotr Janeczek
President of the Board
– Chief Executive Officer

CONSOLIDATED PROFIT AND LOSS ACCOUNT	Note	thousand x PLN	
		2017	2016
I. Net revenue from sale of products, goods and materials, including:		**3 501 090**	**3 140 935**
1. Net revenue from sale of products	20	3 383 975	3 056 653
2. Net revenue from sale of goods and materials	21	117 115	84 282
II. Costs of sold products, goods and materials, including:		**2 943 596**	**2 507 474**
1. Cost of manufacture of sold products	22	2 841 517	2 434 433
2. Value of sold goods and materials		102 079	73 041
III. Profit (loss) gross on sales		**557 494**	**633 461**
IV. Costs of sales		70 774	70 981
V. General administrative costs		140 216	135 787
VI. Profit (loss) on sales		**346 504**	**426 693**
VII. Other operational revenue	23	34 859	34 715
VIII. Other operational costs	24	21 749	48 539
IX. Profit (loss) from operational activity		**359 614**	**412 869**
X. Financial revenue	25	28 784	35 318
XI. Financial costs	26	40 924	23 825
XII. Profit from stakes in associated entities			1 005
XIII. Profit (loss) gross		**347 474**	**425 367**
XIV. Income tax	27	72 046	80 113
XVI. Profit (loss) net, including:	28	**275 428**	**345 254**
1. Attributable to shareholders of the parent company		254 452	325 777
2. Attributed to non-controlling interests		20 976	19 477
Profit net		**275 428**	**345 254**
Weighted average number of ordinary shares		**5 580 267**	**5 580 267**
The weighted average number of ordinary shares adjusted against own shares		**5 580 267**	**5 580 267**
Profit (loss) for one ordinary share (in PLN)	29	**49,36**	**61,87**

TOTAL COMPREHENSIVE CONSOLIDATED INCOME	thousand x PLN		
	Note	2017	2016
Net result		275 428	345 254
Total Comprehensive Income		**275 428**	**345 254**
Total Comprehensive Income attributable to the parent company shareholders		254 452	325 777
Total Comprehensive Income attributable to non-controlling interests		20 976	19 477

Bochnia, 25 April 2018

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Józef Ryszka Member of the Board –Marketing Director	Łukasz Mentel Member of the Board – Financial Director	Piotr Janeczek President of the Board – Chief Executive Officer

Statement of changes in equity for the period from 1st January to 31st December 2017 and 2016	thousand x PLN								
	Share capital	Own shares at purchase price	Supplementary capital	Capital from revaluation	Other supplementary capitals	Retained profit from previous years	Retained profit from current year	Capital non-controlling interests	Equity in TOTAL
Balance on this 01.01.2017 (opening balance)	**11 161**		**383 479**	**-169 860**	**1 376 022**	**255 380**		**80 572**	**1 936 754**
Profit distribution			96 487		97 099	-193 586			0
Intercapital and consolidation transfer			10 997		4 034	-1 074		-11 179	2 778
Dividend and royalties						-22 174			-22 174
Valuation of hedging transactions				42 882					42 882
Total comprehensive income for period 1.01 - 31.12.2017							254 452	20 976	275 428
Balance on this 31.12.2017 (closing balance)	**11 161**		**490 963**	**-126 978**	**1 477 155**	**38 546**	**254 452**	**90 369**	**2 235 668**
Balance on this 01.01.2016 (opening balance)	**13 450**		**268 443**	**69 287**	**1 432 544**	**180 578**		**85 601**	**2 049 903**
Profit distribution			93 988		123 909	-217 897			0
Redemption of own shares	**-2 289**								**-2 289**
Financing the purchase of the Company's own shares from reserve capital					-177 716				-177 716
Intercapital and consolidation transfer			21 048		-2 715	-14 925		-24 506	-21 098
Dividend and royalties						-18 153			-18 153
Valuation of hedging transactions				-239 147					-239 147
Total comprehensive income for period 1.01 - 31.12.2016							325 777	19 477	345 254
Balance on this 31.12.2016 (closing balance)	**11 161**	**0**	**383 479**	**-169 860**	**1 376 022**	**-70 397**	**325 777**	**80 572**	**1 936 754**

Bochnia, 25 April 2018

……………………… Józef Ryszka
Member of the Board
–Marketing Director

……………………………. Łukasz Mentel
Member of the Board
– Financial Director

………………………… Piotr Janeczek
President of the Board
– Chief Executive Officer

CONSOLIDATED CASH FLOW ACCOUNT	thousand x PLN	
	2017	2016
A. Cash flow from operational activity - indirect method		
I. Profit (loss) net	**275 428**	**345 254**
II. Adjustments in total	**156 090**	**-78 380**
1. Share in (profit) loss net of the subordinate entities valuated with equity method		
2. Depreciation	137 488	140 561
3. Profit (loss) on account of differences in rates	498	508
4. Interest and shares in profit (dividend)	7 463	4 134
5. Profit (loss) from investment activity	-5 555	-3 569
6. Change of provisions level	-12 041	14 773
7. Change of stock level	-38 879	-139 201
8. Change of receivables level	22 663	-213 915
9. Change of short-term liabilities level, except for loans and credits	-55 190	112 152
10. Change of accruals level	17 624	-7 622
11. Other adjustments	82 019	13 799
III. Cash flow net from operational activity	**431 518**	**266 874**
B. Cash flow from investment activity	**-156 645**	**-197 261**
I. Revenue	**57 646**	**67 535**
1. Sale of intangible and legal assets and property, plant and equipment	737	3 200
2. Sale of investments in real estates and intangible and legal assets		
3 From financial assets, including:	56 909	64 335
- sale of financial assets	44 845	62 185
- dividend and share in profit	2	1
- interest	2 062	2 148
- other revenue from financial assets	10 000	1
II. Expenses		
1. Acquisition of intangible and legal assets and property, plant and equipment	**-214 291**	**-264 796**
2. Investments in real estates and intangible and legal assets	-136 025	-164 834
3 For financial assets, including:		
- acquisition of financial assets	-78 266	-99 471
4. Other investment expenses		-491
III. Cash flow net from investment activity	**-156 645**	**-197 261**
C. Cash flow from financial activity	**-63 015**	**-51 096**
I. Revenue	41 029	186 801
1. Net revenue from the issuance of shares and other capital instruments and additional equity contributions		
2. Credits and loans	41 023	185 595
3. Issuance of debt securities		
4. Other financial revenue	6	1 206
II. Expenses	-104 044	-237 897

1. Acquisition of treasury shares		-179 150
2. Dividend and other payments for the holders	-24 382	-18 153
3. Other, than the payments for holders, expenses on account of the allocation of profit		
4. Payment of credits and loans	-58 999	-23 111
5. Redemption of debt securities		
6. On account of other financial liabilities	-6 734	-6 734
7. Payment of liabilities on account of financial leasing contracts	-2 749	-3 189
8. Interests	-10 158	-7 344
9. Other financial expenses	-1 022	-216
III. Cash flow net from financial activity	**-63 015**	**-51 096**
D. Net cash flow, total	**211 858**	**18 517**
E. Balance sheet change in cash, including:	**211 858**	**18 517**
- change in cash due to exchange rates fluctuations		
F. Cash (beginning of period)	**286 179**	**267 662**
G. Cash (end of period), including:	**498 037**	**286 179**
- of limited access and disposal		

Bochnia, 25 April 2018

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Józef Ryszka	Łukasz Mentel	Piotr Janeczek
Member of the Board	Member of the Board	President of the Board
–Marketing Director	– Financial Director	– Chief Executive Officer

Cash at beginning of the reporting period represent the amount of PLN 286,179 thousand, including cash at hand PLN 266 thousand, on bank accounts PLN 285,913 thousand and at the end of the reporting period PLN 498,037 thousand, including PLN 295 thousand cash at hand and PLN 497,742 thousand on bank accounts.

Operating activities consist of the basic (main) activities of the Group, i.e. production, trade and service and other not classified as investing or financing activities. Net cash from operating activities is a revised financial result of the Group.

The Group's investment activity is related to acquisition and sale of tangible fixed assets of a financial and proprietary nature (fixed assets, intangible assets, shares and stocks).The Group’s financial activities consist of acquisition and use of equity and foreign capital, including the short and long term credits.

The inconsistency between the status changes declared in the balance sheet and status changes declared in the operating cash flow statement is related to the liabilities and arises from the exclusion of the change in the liabilities relating to the purchases of fixed assets and recognition of the same in the cash flow from investment activities as well as exclusion of the change in the credits and leasing status and recognition of the same in the cash flow from financial activities.

Additional Information on the adopted accounting principles (policy) and other explanatory information

1. General information

Company's identification data

Name:	**Stalprodukt S.A.**
Legal form:	**Joint Stock Company**
Seat:	**Bochnia, Wygoda 69**
Country of Registration:	**Poland**
Registering Agency:	**District Court for Kraków-Śródmieście, National Court Register (KRS) No 0000055209**
Basic object of activities:	**Production of flat cold rolled sheets Polish Classification of Economic Activities (PKD) No 2432Z**

Stalprodukt SA was established on 01.07.1991, in the process of restructuring of Tadeusz Sendzimir Steelworks (now the Branch of ArcelorMittal Poland S.A.), using an innovative path of privatization. The Company started its operations on 01.07.1992, with a 60-percent participation of employees and a 40-percent participation of Tadeusz Sendzimir Steelworks in Krakow. Upon the commencement of business the Company acquired against consideration of HTS materials, inventory, work in progress and finished goods, and equipment and intangible assets of the former Metallurgical Processing Plant HTS. In 1995-1996, the Company purchased all the assets leased from Tadeusz Sendzimir Steelworks, including the right of perpetual usufruct of land, buildings, structures, machinery and equipment.

The Company's shares were introduced into public trading and the stock exchange. They are listed on the Warsaw Stock Exchange since 06.08.1997.

The Company is the manufacturer of highly processed steel products such transformer sheets and strips, cold formed profiles and tubes, hot and cold rolled sheets and strips, road safety barriers and toroidal cores. The production plants are located in Bochnia, Krakow and Tarnow. Significant part of the production goes to export markets, mainly to EU countries.

The sales of products are pursued directly by the Company and by the national sales network with departments localized all over the country, managed by the subsidiary company Stalprodukt-Centrostal Kraków Sp. z o.o. based in Bochnia.

Internal organizational units (subsidiaries) which prepare independent financial reports are not included in the Company's enterprize. Stalprodukt S.A. is the Parent Company and prepares a consolidated financial report.

The Stalprodukt S.A. Capital Group is established for an unlimited time.

The consolidated financial statements are presented for the year 2017, and comparable financial data for the year 2016.

Composition of Management Board's and Supervisory Board

In the period from 01 January 2017 to 31 December 2017, the Stalprodukt Management Board was composed of:

Piotr Janeczek - President of the Board

Józef Ryszka - Member of the Board

Łukasz Mentel - Member of the Board

In the period from 1 January 2017 to 19 October 2017, the Stalprodukt Supervisory Board was composed of:

Stanisław Kurnik - Chairman of the Supervisory Board

Maria Sierpińska - Vice-Chairman of the Supervisory Board

Kazimierz Szydłowski - Secretary

Janusz Bodek - Member

Magdalena Janeczek - Member

Sanjay Samaddar - Member

Tomasz Plaskura - Member

In the period from 19 October 2017 to 30 November 2017, the Stalprodukt Supervisory Board was composed of:

Janusz Bodek - Chairman of the Supervisory Board

Sanjay Samaddar - Vice-Chairman of the Supervisory Board

Magdalena Janeczek - Secretary

Agata Sierpińska-Sawicz - Member

Stanisław Stańdo - Member

In the period from 30 November 2017 to 31 December 2017, the Stalprodukt Supervisory Board was composed of:

Janusz Bodek - Chairman of the Supervisory Board

Sanjay Samaddar - Vice-Chairman of the Supervisory Board

Magdalena Janeczek - Secretary

Agata Sierpińska-Sawicz - Member

Romuald Talarek - Member

Certified Auditor

„Accord'ab" Biegli Rewidenci Sp. z o.o.

Ul. Grabiszyńska 241

53-234 Wrocław

Banks

Bank Pekao S.A.

Bank Handlowy w Warszawie S.A.

PKO Bank Polski S.A.

BNP Paribas Bank Polska S.A.

Societe Generale S.A. Oddział w Polsce

Listing on the regulated market

The Company's shares are traded on the Warsaw Stock Exchange from 06.08.1997 r.

Significant Shareholders of the Parent Company

As of 31.12.2016 r. the shareholders entitled to above 5 % of votes at the General Meeting of Shareholders:
- STP Investment S.A. holding 1 829 319 shares, accounting for 32.78 % of capital share and 5 875 691 votes, accounting for 48.17 % of the total number of votes at the General Meeting of Shareholders.
- Stalprodukt-Profil S.A., holding 579 652 shares, accounting for 10.39 % of capital share and 1 095 488 votes, accounting for 8.98 % of the total number of votes at the General Meeting of Shareholders.
- ArcelorMittal Sourcing a société en commandite par actions holding 1 066 100 shares, accounting for 19.10 % of capital share and 1 066 100 votes, accounting for 8.74 % of the total number of votes at the General Meeting of Shareholders.

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

- STP Investment S.A. holding 1 829 319 shares, accounting for 5 875 691 votes at the General Meeting of Shareholders,
- Stalprodukt Profil S.A. holding 579 652 shares, accounting for 1 095 488 votes at the General Meeting of Shareholders,
- Stalnet Sp. z o.o. holding 135 564 shares, accounting for 383 572 votes at the General Meeting of Shareholders,
- Piotr Janeczek holding 115 053 shares, accounting for 574 913 votes at the General Meeting of Shareholders,

As of 31.12.2016, the shareholders, who concluded the agreement, jointly held 2 659 588 shares, accounting for 47.66 % of their capital share and 7 929 664 votes, accounting for 65.01 % of the total number of votes at the General Meeting of Shareholders.

Subsidiary

In the reporting year, the Stalprodukt Capital Group embraced the following subsidiary companies and companies consolidated at the level of ZGH "Bolesław" S.A. Additionally, the Parent Company and its subsidiaries also hold shares in the entities, over which they do not hold control, joint control or over which they do not exert significant influence, as determined pursuant to IFRS 10, IFRS11 and IAS 28.

No	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	nature of the relation (subsidiary, interdependent unit, associate, with specification of direct and indirect relations)	the applied method of consolidation/ equity valuation method, or indication that the unit is not subject to consolidation/ equity valuation method	date of take- over of control/ joint control/ obtaining a significant impact	percentage of capital held	share of the total number of votes at a general meeting
1.	Stalprodukt-MB sp. z o.o.	Bochnia	construction and maintenance of roads and highways	subsidiary	full consolidation	17.10.1997	100	100
2.	Stalprodukt-Wamech sp. z o.o.	Bochnia	production of spare parts and repair services	subsidiary	full consolidation	05.12.1997	100	100
3.	Stalprodukt-Centrostal sp. z o.o.	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997	100	100
4.	Stalprodukt-Serwis sp. z o.o.	Bochnia	services of installation, repair and maintenance of machinery	subsidiary	full consolidation	29.12.1998	100	100
5.	Stalprodukt-Zamość sp. z o.o.	Zamość	woodwork production and trade of metallurgical products	subsidiary	full consolidation	09.12.1997	100	100
6.	Stalprodukt-Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000	100	100
7.	STP Elbud sp. z o.o.	Kraków	manufacture of structures and galvanizing services	subsidiary	full consolidation	01.06.2005	100	100
8.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008	100	100
9.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	100	100
10.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	94.59	94.59
11.	Bolesław Recycyling Sp. z o.o.	Bukowno	metal waste and scrap management	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	01.03.2004	100,00	100,00

12.	BOLTECH Sp. z o.o.	Bukowno	heat supplies, alterations/ repair services, production of zinc product dolomite aggregate zinc products, transport- & equipment- related services.	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	01.03.2004	100,00	100,00
13.	Karo Sp. z o.o.	Bukowno	Investigative, detective and security-related activities	ZGH "Bolesław" S.A. subsidiary compnany	full consolidation at the level of ZGH Capital Group	01.03.2004	100,00	100,00
14.	Huta Cynku Miasteczko Śląskie S.A.	Miasteczko Śląskie	production and sales of zinc, lead and alloys of these metals	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	29.09.2010	92,78	92,78
15.	Gradir Montenegro d.o.o. Niksic	Novaka Ramowa	zinc and lead mining and production of metal concentrates	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	11.07.2011	99,61	99,61
16.	Polska Technika Zabezpieczeń Sp z.o.o.	Warszawa	distribution of construction woodwork	Stalprodukt Zamość Sp. z o.o. subsidiary company	full consolidation	31.12.2015	71,43	71,43
17.	Przedsiębiorstwo Robót Drogowych Olkusz Sp. z o.o.	Olkusz	road construction and repairs.	Boltech Sp. z o.o. subsidiary company	full consolidation at the ZGH Capital Group's level	01.09.2010	99,71	99,71
18.	F&R Finance Sp. z o.o.	Myślenice, Jawornik	financial activity	Bolesław Recycling Sp. z o.o. subsidiary company	not applicable	not applicable	19,68	19,68
19.	Stalprodukt-Profil S.A.	Bochnia	trade of metallurgical products	Stalprodukt S.A. subsidiary company	not applicable	not applicable	16,00	16,00
20.	StalNet Sp. z o.o.	Kraków	Internet commerce	Stalprodukt S.A. subsidiary company	not applicable	not applicable	28,00	28,00
21.	STP Investment S.A.	Bochnia	financial activity	personal	not applicable	not applicable	0,00	0,00

2. Compliance with the International Financial Reporting Standards

From January 1, 2005 Stalprodukt SA, The Issuer of securities, admitted to public trading in accordance with the Accounting Act dated 29 September 1994 (uniform text of Polish Journal of Laws Dz.U. of 2009, No. 152, item. 1223, as amended) and pursuant to the Resolution of AGM dated 30 June 2005, draws up the individual financial statements in accordance with IAS/IFRS, adopted by the European Union and related interpretations published in the form of regulations of the European Commission. The Group applied MSSF1 "the application of the international financial reporting standards for the first time" in the Annual Report for the year ended 31 December 2005. Date of transition to IFRS was 1 January 2004.

These consolidated financial statements have been drawn up in all material respects in accordance with IAS/IFRS, and in the scope not regulated by these standards, as required by the Act of 29 September 1994 on Accounting (Polish Journal of Laws Dz.U. of 2009, No. 152, item 1223, as amended) and in accordance with the requirements specified in the Regulation of the Minister of Finance dated 19 February 2009 on current and periodic

information disclosed by issuers of securities and the conditions for recognition as equivalent the information required by the laws of a non-member state (Polish Journal of Laws Dz.U. of 2009, No. 33, item 259).
The presented financial statements and comparable financial data include recommendations given by an entity authorized to audit.

Assumptions for the Continuation of Economic Activities

The Report was prepared with the assumption that the Group's economic activities would be continued and no circumstances indicate that such activities are threatened. As of the report signing day, the Company's Management Board does not record any facts or circumstances which would indicate a threat to the continuation of the economic activities to be pursued by the Issuer in the 12-month period following the balance-sheet day.

Functional and Presentation Currency

The currency in use, as the basic currency of the economic environment in which the Group operates is the Polish zloty. This currency is also the currency used in the consolidated financial statements.

Consolidation Method

At the Parent Company's level, all the Capital Group's companies undergo full consolidation.

3. Applicable accounting rules (policy)

Since 01.01.2005, the Group has been applying the accounting rules (policy), including methods of valuation of assets and liabilities, as well as revenues and expenses, determining the financial result and drawing up financial statements in accordance with IFRS, adopted by the European Union, and in matters not governed by IFRS, pursuant to the Polish Accounting Act.

To ensure a clear and full understanding of these consolidated financial statements, there are presented below the basic principles of valuation of assets and liabilities, determination of financial result and other accounting policies adopted in the Group.

Fixed assets

a) as of the date of transition to international standards, in accordance with MSSF1 "the application of International Financial Reporting Standards for the first time", the Company adopted a valuation of previously used tangible fixed assets at fair value and decided to use this value as expected (implied) cost as of this day. Revaluations were made in-house with technical staff, based on their technical and market knowledge, taking into account the previous lifetime of the assets, the degree of wear and tear, made improvements, modernization and repairs. The following lifetimes and depreciation rates were adopted for the tangible fixed assets used in the Company prior to the date of transition to IFRS:

buildings 20 years (5%), structures 10 years (10%), boilers 5 years (20%), machinery and equipment for general use 5 years (20%), metallurgical machinery and equipment 10 years (10%) and other technical equipment 5 years (20%).

b) Difference (surplus) due to the initial revaluation was applied to equity as retained earnings.

c) items of tangible fixed assets, qualified as assets, initially (at time of adoption for use) are measured at cost or production cost.

The initial value of tangible fixed assets comprises their purchase price or production cost plus any costs directly related to the purchase and adaptation of the asset to a state suitable for production use.

The initial value of fixed assets is increased by the value of the expenditures on their improvement (reconstruction, development, reconstruction, modernization).

d) after the initial recognition of items of tangible fixed assets as assets, they are disclosed on the balance sheet by the cost model, i.e. the purchase price or production cost less the amount of accumulated depreciation and any accumulated impairment losses. Decrease in amortization does not apply to own land, for which there is no amortization write-offs.

e) each of the components of tangible fixed assets, purchase price or production cost of which is significant when compared to the purchase price or production cost of the whole item, and the expected lifetime of which differs significantly from the expected lifetime of the whole item, is depreciated separately.

f) assets of the unit initial value up to PLN 3,500 are depreciated once, writing their value off as costs when transferring such assets to use.

g) other fixed assets or their separate and significant components are depreciated with a straight-line method based on rates estimated based on the expected period of use, taking into account the residual value, if the amount is significant. The residual value is the estimated amount that an entity has obtained from the sale of an asset, after deducting the estimated costs of disposal if the asset was as old and in such condition as expected at the end of its lifetime. There were no significant residual values identified for previously used fixed assets.

The Groups adopts the lifetime of new investments in the form of machinery and equipment 10 - 20 years.

Depreciation rates are reviewed annually for compliance with the economic lifetime of fixed assets. The residual value of fixed assets is also subject to verification.

h) fixed assets under construction are valued in the amount of total costs directly arising in connection with their acquisition or construction, less any impairment losses. Assets under construction are not depreciated until the completion of their construction and putting into use.

I) overhaul costs of fixed assets are capitalized and amortized in equal periods of repair cycles. Maintenance costs of fixed assets and their maintenance affect the result of the financial period in which they are incurred.

j) intangible assets are recognized if it is probable that they will ensure the Group the benefit in the future, which can be directly related to those assets.

They are shown at acquisition or production cost less accumulated amortization and the total amount of any impairment losses. They are amortized with a straight-line method over a period of use, which should be determined reliably. Intangible assets with an indefinite lifetime are not amortized but tested for impairment. The lifetime of intangible assets is subject to verification on the balance sheet date.

The expenses incurred for the acquisition of perpetual usufruct of land are classified by the Company as intangible assets because the title concerned, alike land, does not lose in value and is valid for an indefinite period of time. It is not subject to depreciation or redemption either.

k) if there are any indications of possible loss in value of tangible fixed assets and intangible assets, an impairment test shall be carried out and the determined revaluation write-offs shall reduce the balance sheet value of an asset, to which they refer, and they shall be included in the profit and loss account. The amount of revaluation write-offs is determined as the excess of the balance sheet value of these items over their recoverable value. The recoverable value is the higher of the following values: net selling price or value in use measured by generated cash flows of a given asset or cash-generating unit, discounted to the present value using a discount rate, which reflects current market prices of the money value over time and the risks of a given asset.

The amounts recognized as revaluation write-offs are reversed if the reasons for their creation cease to appear. The effects of such reversal are recognized in the profit or loss account as other operating income.

l) long-term loans and receivables are measured by the adjusted purchase price (amortized cost) with the use of the effective interest method, observing the principle of materiality.

The realized gains and losses arising from changes in value are recognized in the profit or loss account in the period in which they arose.

m) investment real properties (leased fixed assets) are valued in the same manner as fixed assets by the cost model, i.e. the purchase price or production cost less the amount of accumulated depreciation (amortization) and accumulated impairment losses.

n) long-term financial assets (shares) are valued at purchase prices less their impairment losses.

Current assets

a) inventories - are valued according to the actual purchase prices or production costs, not higher than their net realization values (net selling prices). Net realization value is the estimated selling price in the ordinary course of business, less estimated costs to complete the inventory item and the costs necessary to make the sale.

Total disbursements are measured by the prices of these items, which were acquired as first (FIFO principle "first in - first out").

Cost of producing finished goods and work in progress includes the cost of direct materials, labour and other costs, as well as the appropriate mark-up of indirect production costs determined on the assumption of normal capacity utilization, excluding borrowing costs.

The production costs do not include costs:

- arising from the unused production capacity and production losses,

- of general management, not associated with developing the product to a form and place in which it is found at the valuation date.

Any write-offs of inventories to net realizable value and all losses of inventories are recognized as operating costs of the period in which the write-off or loss occurred. If the circumstances, which led to the reduction of inventories, cease to prevail or if there is clear evidence of increase in net realization value, the amount of previously made write-off shall be restored (reversal of write-off). The amount corresponding to the restored value of inventories due to higher net realization value, is recognized as a reduction in inventory costs recognized in the profit and loss account in the period in which the value was restored.

The Group keeps a record of material values and quantities. It is allowed to recognize the purchase of materials as costs without keeping the record of values and quantities provided that such materials will be transmitted to use immediately after purchase.

Spare parts for machinery and equipment of long-term lifetime are disclosed in the balance sheet under tangible fixed assets.

b) short-term debts and claims for supplies and services - are recognized according to the amounts originally invoiced including write-offs for bad debt charged to other operating costs.

Denominated in foreign currency receivables are valued on the balance sheet date according to the average rate for that day, for the valuation are assumed the rates of the bank in which the Parent Company has the largest turnover of foreign exchange. While transactions in foreign currencies are valued at the rate of immediate execution at the transaction date. The foreign exchange differences resulting from the valuation are recognized in the profit and loss account, in the period in which they arise (revenues/expenses).

According to the accepted principles (policy), the Parent Company creates revaluation write-offs to:

- national debts not paid within 6 months, and the export receivables of more than 9 months,
- disputed receivables and receivables related to the liquidation and bankruptcy proceedings, as well as arrangements and compositions,
- interest on receivables, accrued but not paid.

c) cash and cash equivalents include cash at bank and in hand, short-term deposits and other instruments with a high degree of liquidity. They are valued at their nominal value. Denominated in foreign currency cash is valued on the balance sheet date at the closing rate, which is the immediate exchange rate. Resulting foreign exchange differences are classified as financial income or expense.

Equity

Equity of the Group includes: share capital, capital reserve, supplementary capital, revaluation reserve, retained earnings from previous years and the result of the current period. All capital is valued at nominal value. The value of own shares is deducted from equity.

a) Share capital is included in the amount specified in the contract or statute, and entered in the court register. Declared but not paid capital is recognized as a called-up capital. Share capital represents ordinary bearer shares and privileged registered shares.

b) Capital is created in the Parent Company obligatorily (by the operation of law) and is intended to cover any lack of share capital. Pursuant to the Commercial Companies Code, the Parent Company must allocate at least 8% of annual net profits to the capital reserve until it reaches one third of the share capital.

c) The capital reserve is increased by surpluses while the shares are issued above their nominal value and the difference from the revaluation of fixed assets that were liquidated or sold. In addition, the capital reserve was increased in 2005 due to the revaluation of fixed assets to fair value at the date of transition to IFRS, as retained earnings.

d) The revaluation reserve includes the differences from the revaluation of fixed assets, land and perpetual usufruct of land, except the value resulting from the revaluation as of the date of transition to IFRS, which was disclosed in the capital reserve as retained earnings. In the case of disposition or liquidation of an asset, the relevant part of revaluation reserve is transferred to the capital reserve. A write-off due to the impairment of fixed assets that had previously been subject to the revaluation reduces the revaluation reserve to the amount of the reserve, which refers to such fixed assets.

e) Other supplementary capital is created from profit, the distribution of which is determined by the General Meeting of Shareholders. These serve to finance investments and current assets, and cover potential losses. Their use is determined by the General Meeting of Shareholders.

The minority capital, accounting for the equity shares of the subsidiaries other than the ones subject to consolidation, is shown as a separate item within the Liabilities sheet of the Financial Report.

Liabilities

a) Bank credits, loans and other financial liabilities (leasing) are disclosed at amortized cost (corrected purchase price) with an effective interest rate method, observing the principle of materiality. Interest cost is allocated to the respective periods and disclosed in the profit and loss account.

b) Short-term trade liabilities are recognized according to the amounts originally invoiced. Liabilities denominated in foreign currencies are valued at the rate of the immediate implementation (exchange), which is the closing price on the balance sheet date. The resulting exchange differences are disclosed in the financial income or expense in the profit and loss account.

Provisions

Provisions are created when there is:

- an obligation (legal or constructive) on the balance sheet date resulting from past events,

- a probability that funds shall have to be spent,

- a possibility of making a reliable estimate calculation.

According to the accepted principles (policy), the Group creates provisions for:

- temporary income tax differences resulting from the fact that the moment when income was recognised as gained or cost as incurred was different, pursuant to the accounting law and tax regulations,

- employee benefits (retirement),

- other provisions for the expected or probable losses from business operations having a significant influence on earnings, observing the principle of materiality.

a) Provision for income taxes is created using the liability method for all temporary differences existing on the balance sheet date between the tax bases of assets and liabilities and their balance sheet amounts shown in the financial statements. Provision for deferred tax is created in relation to temporary gains, and deferred tax assets are recognized in relation to temporary losses.

In terms of depreciation, the provision (assets) for the differences between the tax and balance sheet depreciation is created for the last reporting period.

The balance sheet value of assets due to the deferred tax is reviewed on the balance sheet date and reduced as appropriate, if gaining the taxable income sufficient to realize the asset due to the deferred income tax is no longer probable. The difference between the balance of provisions and deferred tax assets at the end and the beginning of financial year affects the financial result or equity if the provisions and assets relate to operations settled directly with equity.

b) Provision for retirement benefits is determined with the actuarial method, and its amount depends on the previous period of employment specifying the degree of benefit development and the rotation rate of employment, the likelihood of payment and the discount rate. Provisions for employee benefits are accounted for on the balance sheet date, ending the financial year.

c) Pre-payments and accruals. The Group makes prepayments, if they relate to future reporting periods. Accrued expenses payable are made in the amount of probable liabilities attributable to the current reporting period.

Profit and loss account

a) revenues from sales includes the fair value of revenues from sales of products, goods and services, net of tax on goods and services.

Revenues are recognized in two major categories:

- sale of products (including services),

- sale of goods and materials.

Revenues are recognized in the amount in which it is probable that the Group shall gain the economic benefits associated with the transaction and the amount of revenue can be measured reliably.

b) cost of products and services sold, goods and materials include costs directly related to their production or purchase.

Own cost is presented as broken down into two basic categories:

- cost of products sold (including services),

- value of goods and materials sold.

Cost of sales includes the costs of trade and the costs of representation and advertising. General and administrative costs include costs associated with managing the unit and the costs of administration and representation.

c) moreover, the financial result is also influenced by:

- other operating income and operating expenses indirectly related to the activities in such areas as gains and losses on disposal of non-financial fixed assets, revaluation of non-financial assets, the creation and termination of provisions for future risks, penalties, fines and compensation, receipt or transfer of donations,

- financial income from dividends (profit sharing), interest, gains on disposal of investments, revaluation of investments, surplus from foreign exchange benefits over foreign exchange losses,

- the financial costs of interest, loss on disposal of investments, revaluation of investments, the surplus of foreign exchange losses on the positive

- mandatory financial burden as a result of income tax.

The balances of: realized exchange differences arising from positive and negative settlements, revaluation of receivables and provisions, provisions for employee benefits are reconciled against the costs of the products sold or value of goods and materials sold as presented in the profit and loss account.

d) a write-off (provision) in a full amount is created according to the accruals principle, observing the precautionary principle, for interest income. Interest received according to the cash principle is disclosed in the profit and loss account.

e) operating expenses are recorded in the period to which they relate.

Borrowing costs directly related to the acquisition or construction of assets that require a longer period of time in order to be fit for use or resale, are added to the manufacturing costs of such assets until the hand-over of these assets to use.

All other borrowing costs are disclosed directly in the profit and loss account in the period in which they are incurred. (IAS 23).

f) income tax disclosed in the profit and loss account includes some current and deferred tax. Current tax is the tax liability in respect of taxable income for the given financial year, determined using tax rates applicable on the balance sheet date and tax adjustments for previous years. Deferred tax is described under par. 1.6.

g) there was adopted the principle of cost grouping by type in the accounts under group 4 and settling them by type of activity under group 5. The Group uses and reports the calculation variant of the profit and loss account.

Leasing

Fixed assets used under financial leasing agreements, which transfer to the Group substantially all benefits and risks associated with the possession of assets, are disclosed in the balance sheet by the cost model, as all the components of tangible assets. Lease payments are allocated between finance charges and reduction of the outstanding liability. Financial expenses are accounted for directly in the profit and loss account. Fixed assets used under financial leasing are depreciated over their lifetime. Leasing agreements, under which all the risks and benefits are borne by the lessor, are classified as operating leasing agreements. Cost of leasing payments are related linearly in the profit and loss account during the contract period.

Negative goodwill

According to IFRS No. 3, negative goodwill at the time of its creation is once written off in revenues. Negative goodwill which arose before the date of transition to IFRS, was removed from the balance sheet and written off in full in the undistributed profit from previous years, thus increasing equity. Negative goodwill arising after the date of 01.01.2004 is referred directly to the profit and loss account (increased financial results).

Principles Governing the Preparation of the Financial Report

a/ The Consolidated Financial Report and consolidated comparable data were prepared by means of the full consolidation method as follows:

- the consolidated balance sheet was drawn up by adding all the items belonging to the Assets and Liabilities of the companies subject to consolidation and by eliminating the items related to mutual settlements, earnings retained in inventories and value of the shares held in subsidiary companies in conjunction with their share capitals,
- the Consolidated Profit and Loss Account and Comprehensive Income Statement were drawn up by adding all the income and cost items relating to the consolidated companies in the reporting period and by excluding the revenues from the intercompany transactions and earnings retained in inventories,
- the Report on Changes in Equity was drawn up by adding all the changes in equity in respect of the consolidated companies, related to the transactions with equity owners, and by excluding the intercompany transactions,
- the Consolidated Cash Flow Statement was drawn up adding all the accounting items in respect of the reporting period and excluding consolidation procedures of the Balance Sheet and Profit and Loss Account.

b/ the consolidated net profit consists of the Parent Company's net profit, subsidiary companies' net profit in the part in which the Parent Company owns these companies and the profit share in the associated companies in the part in which the Parent Company owns these companies.

The consolidated net profit embraces:

- operating result, including other operating income and operating costs,
- financial operations result,
- write off of the subsidiaries' goodwill,

- statutory encumbrances on the financial result in respect of the income tax,
- share of profit (loss) in subsidiary companies accounted for with the equity method,
- minority profit (loss).

Professional opinion, estimates and assumptions.

While drawing up the consolidated financial statements in conformity with IFRS, the Management Board has the obligation to express its professional opinion, prepare estimates and assumptions that affect the adopted rules and presented values of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and other factors, which are considered reasonable in the circumstances, and their results provide the basis to express professional opinion as to the balance sheet amounts of assets and liabilities, which do not result directly from other sources. Actual results may differ from the estimate. The estimates and associated assumptions are subject to ongoing review. Changes in accounting estimates are recognized in the period in which they were made.

Key assumptions and estimates in the process of applying the rules (policies) concerning the balance sheet amounts are:

a) revaluation write-offs of receivables,

b) revaluation write-offs of inventories,

c) provisions for retirement,

d) assets and deferred tax liabilities,

e) periods of depreciation of fixed assets,

f) settlement of the ZGH “Bolesław” S.A. purchase price and valuation of the take-over-related liabilities.

According to our knowledge, there is no significant risk of adjustments to the balance sheet amounts of assets and liabilities within the next financial year in connection with the estimates made.

4. Changes of the applicable accounting rules (policies)

The accounting principles applied in the preparation of the Company’s Financial Report are coherent with the ones applied in the preparation of the Company’s Financial Report for the year ended on 31 December 2016, except for the application of the following amendments to standards published by the International Accounting Standards Board, approved by the EU and applicable for the annual periods starting on or after 1 January 2017:

While preparing the present Financial Report, the Company did not decide on the earlier application of the above mentioned published standards, interpretations or amendments to the existing standards before their effective date. Apart from the new standards provided below, no other standards are applicable to the Company's activities or affect the Financial Report.

The standards approved by the International Accounting Standards Board IASB to be applied following 1 January 2018:

- IFRS 9 ”Financial Instruments” – applicable for the annual periods starting on or after 1 January 2018,
- IFRS 15 ”Revenue from Contracts with Customers” as well as subsequent amendments – – applicable for the annual periods starting on or after 1 January 2018,
- IFRS 2 ”Share-Based Payment” – classification and measurement of share-based payment transactions – applicable for the annual periods starting on or after 1 January 2018,
- IFRS 4: application of IFRS 9 ”Financial Instruments” in combination with IFRS 4 ”Insurance Contracts” – applicable for the annual periods starting on or after 1 January 2018.

The standards approved by the International Accounting Standards Board IASB for application after 1 January 2019:

- IFRS 16 „Leasing”– applicable for the annual periods starting on or after 1 January 2019,
- Interpretation IFRIC 23 on Uncertainty over Income Tax Treatments applicable for the annual periods starting on or after 1 January 2019,
- Amendments to IFRS 9 ”Financial Instruments” – Prepayment Features with Negative Compensation - applicable for the annual periods starting on or after 1 January 2019,
- Amendments to IAS 28 ”Investments in Associates” regarding long-term investments, applicable for the annual periods starting on or after 1 January 2019.

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

The remaining standards and interpretations published, but not yet applicable, do not concern the Company's activities or will not have any impact thereon. These are:

- Amendments to IAS 28 ”Investments in Associates and joint Ventures” – measuring an associate or joint venture at fair value,
- Amendments to IAS 40 ”Investment Property” – regarding the rules for the re-classification of investment property,

- Interpretation of IFRIC 22 regarding „Foreign Currency Transaction and Advance Consideration" ,
- IFRS 17 "Insurance Contracts",
- Annual amendments IFRS 2015-2017 regarding IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS "Income Tax", IAS 23 "Borrowing Costs",
- Amendments to IAS 19 "Employee Benefits" – Plan Amendment, Curtailment or Settlement.

5. Notes

NOTE 1a - INTANGIBLE ASSETS	thousand x PLN	
	2017	2016
a) costs of completed developmental works	10 323	0
b) goodwill	18 378	18 378
c) concessions, patents, licenses and similar	14 703	13 664
- computer software	*6 202*	*4 315*
d) other intangible assets	16 101	21 147
e) advance payments for intangible assets	82 000	81 968
Intangible assets, total	**141 505**	**135 157**

1b NOTE - Changes of intangible assets (by group type)	**thousand x PLN**						
	a	**b**	**c**		**d**	**e**	
	cost of completed developmental works	**goodwill**	**concessions, patents, licenses and similar values, including:**		**other intangible assets**	**advance payments for intangible assets**	**Intangible assets, total**
				- computer software			
I. gross value of intangible assets at the beginning of the period		**18 378**	**27 103**	**6 674**	**19 953**	**82 775**	**148 209**
1. increase (due to)	**10 323**		**2 760**	**2 527**	**8 363**	**127**	**21 573**
- consolidation			*32*				*32*
- purchase	*10 323*		*2 728*	*2 527*		*127*	*13 178*
- value from valuation survey							
- obtaining free-of-charge right to CO^2 emission							
2. decrease (due to)			**2 944**	**106**	**8 009**	**123**	**11 076**
- liquidation			*2 944*	*106*			*2 944*
- sales						*123*	*123*
- obtaining free-of-charge right to CO^2 emission					*8 009*		*8 009*
II. gross value of intangible assets at the end of the period	**10 323**	**18 378**	**26 919**	**9 095**	**20 307**	**82 779**	**158 706**
1. accumulated depreciation (amortization), at the beginning of the period			**13 439**	**2 359**	**-1 255**	**779**	**12 963**
2. depreciation for the period (due to)			**-1 223**	**534**	**5 461**		**4 238**
- depreciation allocated to the costs			*1 717*	*534*	*3 694*		*5 411*
- decrease due to liquidation			*-2 940*				*-2 940*
- obtaining gratuities CO_2 emission allowances					*1 767*		*1 767*
III. accumulated depreciation (amortization) at the end of the period			**12 216**	**2 893**	**4 206**	**779**	**17 201**
1. charges for permanent loss of value at the beginning of the period							
- increase							
- decrease							
2. write-offs for permanent loss of value at the end of the period							
IV. net value of intangible assets at the end of the period	**10 323**	**18 378**	**14 703**	**6 202**	**16 101**	**82 000**	**141 505**

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

NOTE 2a - TANGIBLE FIXED ASSETS	thousand x PLN	
	2017	2016
1. fixed assets, including:	**1 607 676**	**1 683 946**
a) land	25 810	25 564
b) buildings, premises, civil engineering objects	560 231	582 562
c) Plants and machinery	981 637	1 035 023
d) means of transport	28 253	29 337
e) other fixed assets	11 745	11 460
2. fixed assets under construction	**160 324**	**91 682**
3. advance payments on fixed assets under construction		
Tangible fixed assets, total	**1 768 000**	**1 775 628**

As of the balance sheet day, the undermentioned real properties are encumbered by mortgage:

As of the balance sheet day, the real estate located at Wadowicka Street in Cracow is encumbered with a joint mortgage of up to PLN 150 000 thousand, supposed to secure the repayment of a long-term investment credit incurred at the PKO BP Bank based in Warsaw amounting to PLN 100 000 thousand appropriated for the majority stake of ZGH "Bolesław" S.A. in Bukowno. In connection with the repayment of credit, the Company applied for the removal of a mortgage lien from the above mentioned property.

As of the balance sheet day, the undermentioned real properties owned by the ZGH "Bolesław" S.A. Capital Group, are encumbered by the following mortgages acting as property collaterals:

- contractual mortgage (KWGL1T/00094659/8) amounting to PLN 37 thousand,
- contractual mortgage (ownership right to the industrial building) amounting to PLN 46,195 thousand.

Also tangible fixed assets transfer agreement is in force as of the balance sheet day:

- vibration roller AV 20-2 No ser. 10891 year of production 2008 valued at PLN 66 thousand,
- vibration roller AV 85-2 No ser. 106698/0339 year of production 2008 valued at PLN 199 thousand.

Other tangible assets are not encumbered with mortgages, registered pledges and ownership transfers.

Tangible fixed assets are valued according to cost, i.e. the purchase price (production cost) less accumulated depreciation (amortization). As of the balance sheet date no write-offs were made due to impairment of the value of fixed assets, as there was no indication proving it. In the reporting year full consumption of fixed assets was recorded, and the Parent Company's sales volume in respect of all the traded products was by 3,4% higher than in the previous year.

2b NOTE - CHANGE OF FIXED ASSETS (BY GROUPS)	thousand x PLN					
	- land (including perpetual usufruct)	- buildings, premises, civil engineering objects	- plants and machinery	- means of transport	- other fixed assets	Fixed assets, total
a) gross value of fixed assets at the beginning of the period	25 564	1 021 889	1 643 860	57 104	21 774	2 770 191
b) increase (due to)	270	12 426	41 477	5 811	2 170	62 154
- investment	270	12 402	38 794	5 754	2 155	59 375
- leasing						
- change of spare parts included in fixed assets			-1 069			-1 069
- appraisal value		24	3 752	57	15	3 848
c) decrease (due to)	24	1 975	19 591	2 173	1 153	24 916
- sale		187	172	793	758	1 910
- liquidation		1 467	5 481	384	350	7 682
- donation						
- revaluation		38	5 251	153	33	5 475
- exchange rate differences	24	283	8 687	843	12	9 849
d) gross value of fixed assets at the end of the period	25 810	1 032 340	1 665 746	60 742	22 791	2 807 429
e) accumulated depreciation (amortization), at the beginning of the period		436 352	608 837	27 767	10 314	1 083 270
f) depreciation for the period (due to)		32 782	75 272	4 722	732	113 508
- depreciation included in costs		34 954	89 102	6 327	1 694	132 077
- reduction due to sale		60	141	785		986
- reduction due to liquidation		959	4 962	228	925	7 074
- revaluation of fixed assets' value		1 039	5 250	153	33	6 475
- currency conversion profits		114	3 477	439	4	4 034
g) accumulated depreciation (amortization) at the end of the period		469 134	684 109	32 489	11 046	1 196 778
h) write-offs for permanent loss of value, at the beginning of the period		2 975				2 975
- increase						
- decrease						
i) write-offs for permanent loss of value, at the end of the period		2 975				2 975
j) net value of fixed assets at the end of the period	**25 810**	**560 231**	**981 637**	**28 253**	**11 745**	**1 607 676**

NOTE 2c – BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)	thousand x PLN	
	2017	2016
1. own assets	1 598 673	1 674 134
2. assets used under rental, lease, tenancy or other types of agreements, including leasing agreement, including:	9 003	9 812
- leasing agreement	*9 003*	*9 812*
Total balance sheet fixed assets	**1 607 676**	**1 683 946**

The position 'tangible fixed assets', includes technical equipment and machinery and means of transport which are subject to financial leasing. The Company, as the benefiting leaseholder, defined the basic accounting principles referring to leasing in section 3 of this Additional and Explanatory Information. The initial value of the objects of leasing amounts to PLN 11,691 thousand, subject to the depreciation of PLN 2,688 thousand, and the net value as of the balance sheet day is PLN 9,003 thousand. The liabilities in respect of the leasing amount to PLN 5,987 thousand, including: long-term ones PLN 3,935 thousand, and short-term ones PLN 2,052 thousand.

NOTE 3a – LONG-TERM INVESTMENT	thousand x PLN	
	2017	2016
1) investment properties	**3 296**	**3 838**
2) long-term financial assets	**44 982**	**42 191**
a) stocks and shares	*7 756*	*12 090*
b) long-term loans		*20 000*
c) other long-term financial assets	*37 226*	*10 101*
Long-term investment, total	**48 278**	**46 029**

NOTE 3b - CHANGE IN THE BALANCE OF LONG- TERM FINANCIAL ASSETS (BY GROUP TYPES)	thousand x PLN	
	2017	2016
1. balance at the beginning of the period	**42 191**	**64 619**
a) shares	*12 090*	*10 833*
b) loans granted	*20 000*	*40 000*
c) other ling-term financial assets	*10 101*	*13 786*
2. increase (due to)	**27 744**	**28 994**
a) contribution made		
b) purchase of shares		*2 256*
c) other long-term financial assets	*27 744*	*1 915*
d) valuation of securities		*4 823*
e) loans granted		*20 000*
3. decrease (due to)	**24 953**	**51 422**
a) reclassification of securities to short-term securities	*3 826*	
b) reclassification of a loan from long-term loans to short-term ones	*20 000*	*40 000*
c) sale of shares	*5*	*5 822*
d) reclassification of other financial assets to short-term ones	*1 122*	*5 600*
4. balance at the end of the period	**44 982**	**42 191**

NOTE 3c – SHARES IN SUBSIDIARIES												
	thousands of PLN											
	a	b	c	d	e	f	g	h	i	j	k	l
No	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	nature of the relation (subsidiary, interdependent unit, associate, with specification of direct and indirect relations)	the applied method of consolidation/ equity valuation method, or indication that the unit is not subject to consolidation/ equity valuation method	date of take-over of control/ joint control/ obtaining a significant impact	the value of shares according to the cost of purchase	value adjustments (total)	book value of shares	percentage of capital held	share of the total number of votes at a general meeting	indication, other than those referred to in par. j) or k), bases for control/ joint control/ significant impact
1.	Stalprodukt-MB sp. z o.o.	Bochnia	construction and maintenance of roads and highways	subsidiary	full consolidation	17.10.1997	2 604	0	2 604	100	100	
2.	Stalprodukt-Wamech sp. z o.o.	Bochnia	production of spare parts and repair services	subsidiary	full consolidation	05.12.1997	1 200	0	1 200	100	100	
3.	Stalprodukt-Centrostal sp. z o.o.	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997	10 797	10 797	0	100	100	
4.	Stalprodukt-Serwis sp. z o.o.	Bochnia	services of installation, repair and maintenance of machinery	subsidiary	full consolidation	29.12.1998	900	0	900	100	100	
5.	Stalprodukt-Zamość sp. z o.o.	Zamość	woodwork production and trade of metallurgical products	subsidiary	full consolidation	09.12.1997	2 450	0	2 450	100	100	
6.	Stalprodukt-Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000	600	0	600	100	100	
7.	STP Elbud sp. z o.o.	Kraków	manufacture of structures and galvanizing services	subsidiary	full consolidation	01.06.2005	20 864	0	20 864	100	100	

8.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008	32 960	0	32 960	100	100	
9.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	15 344	695	14 649	100	100	
10.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	274 242	0	274 242	94,59	94,59	

NOTE 3c' – STOCKS OR SHARES OF ZGH "Bolesław" S.A. IN SUBSIDIARY COMPANYS SUBJECT TO CONSOLIDATION

	w tys. zł											
	a	b	c	d	e	f	g	h	i	j	k	l
Lp.	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	nature of the relation (subsidiary, interdependent unit, associate, with specification of direct and indirect relations)	the applied method of consolidation/ equity valuation method, or indication that the unit is not subject to consolidation/ equity valuation method	date of take-over of control/ joint control/ obtaining a significant impact	the value of shares according to the cost of purchase	value adjustments (total)	book value of shares	percentage of capital held	share of the total number of votes at a general meeting	indication, other than those referred to in par. j) or k), bases for control/ joint control/ significant impact
1.	BOLTHERM Sp. z o.o.	Bukowno	Production and distribution of heat, alteration services, production of dolomite aggregates, zinc products, transport- and equipment-reated services	subsidiary	full consolidation	01.03.2004	16 639	-10 445	6 194	100	100	

2.	Karo Sp. z o.o.	Bukowno	Detective- ,investigation- and security- related activities	subsidiary	full consolidation	01.03.2004	304	0	304	100	100	
3.	Huta Cynku Miasteczko Śląskie S.A.	Miasteczko Śląskie	Production and sales of zinc and lead and alloys of these metals	subsidiary	full consolidation	29.09.2010	22 291	0	22 291	92,77	92,77	
4.	Gradir Montenegro d.o.o. Niksic	Novaka Ramowa	Excavation and production of zinc and lead concentrates	subsidiary	full consolidation	11.07.2011	154 473	-100 981	53 492	99,61	100,00	
5.	Polska Technika Zabezpieczeń Sp z.o.o.	Warszawa	distribution construction joinery	subsidiary	full consolidation	31.12.2015	454	0	454	76,00	71,43	
6.	Przedsiębiorstwo Robót Drogowych Olkusz Sp. z o.o.	Olkusz	Road construction and repairs	subsidiary company	full consolidation at the level of the Bolesław Capital Group	01.09.2010	7 786	-3 286	4 500	99,71	100,00	

NOTE 3d - Shares in subsidiaries

	thousands of PLN																
	a	m						n			o			p	r	s	t
		Equity of the unit, including:						Liabilities and provisions for liabilities of the unit, including:			Receivables of the unit, including:						
					Other equity, including:												
No	name of entity		- share capital	- calledup share capital (negative value)		Previous years' profit (loss)	Net profit (loss)		-long-term liabilities	- short-term liabilities		- long-term receivables	- short-term receivables	Assets of the entity, total	Revenues from sale	value of the shares in the unit not paid by the issuer	dividends received or receivable from the unit for the last financial year
1.	Stalprodukt-MB sp. z o.o.	**5 003**	2 604			2 399		**-14**	363		**363**	1 814		1 814	5 366	3 834	
2.	Stalprodukt-Wamech sp. z o.o.	**12 241**	1 200			11 041		**1 040**	3 283		**2 344**	3 496		3 496	15 524	18 382	
3.	Stalprodukt-Centrostal sp. z o.o.	**22 369**	10 797			11 572	-1 071	**570**	80 669		**80 252**	61 401		61 401	103 038	366 425	
4.	Stalprodukt-Serwis sp. z o.o.	**3 854**	900			2 954	-1 681	**-195**	5 976		**1 073**	1 671		1 671	9 830	9 683	
5.	Stalprodukt-Zamość sp. z o.o.	**23 309**	2 450			20 859		**1 169**	9 503	4 283	**4 477**	5 523		5 523	32 812	52 984	
6.	Stalprodukt-Ochrona sp. z o.o.	**1 642**	600			1 042		**-142**	604		**604**	987		987	2 246	5 096	
7.	STP Elbud sp. z o.o.	**51 990**	20 613		3 615	27 762		**-5 120**	35 200	5 200	**28 893**	32 185		32 185	87 190	101 974	
8.	Cynk-Mal S.A.	**23 800**	20 191		22 496	-18 887	-19 205	**318**	38 770	6 153	**25 987**	5 809		5 809	62 570	61 121	
9.	Anew Institute Sp. z o.o.	**10 721**	14 649		77	-4 005	-3 503	**-502**	2 307		**194**	453		453	13 028	2 247	
10.	ZGH "Bolesław" SA	**830 629**	166 116		483 327	181 186		**202 117**	650 139	107 472	**342 207**	212 191		212 191	1 480 768	1 306 241	

NOTE 3e - Shares in other entities					
	thousand x PLN				
	a	b	c	d	e
No	Name (company) of the entity, indicating its legal form	Seat	Object of the enterprise	Book value of shares	Percentage of capital held
1.	Stalprodukt-Profil S.A.	Bochnia	trade in steel products	80	16,00
2.	StalNet sp. z o.o.	Kraków	online trade	39	28,00
3.	F&R Finance Sp. z o.o.	Myślenice , Jaworki	financial activities	6 815	19,68
4.	Other			362	

In the position ”Other” - unlimited transferability shares (KGHM) are recognized, the ones quoted on the Warsaw Exchange Market, staying in possession of Stalprodukt Wamech S.A. and shares of the metals rolling mill - Walcownia Metali Łabędy S.A. and Economic Initiatives Agency staying in the possession of ZGH ”Bolesław” S.A. Apart from the KGHM shares, all the other stocks (interests) and shares are not stock exchange-quoted and are unrestricted in respect of transfer. All the stocks (interests) expressed in PLN.

NOTE 4 - Change in assets due to deferred income tax	thousand x PLN	
	2017	2016
1. Balance of assets due to deferred income tax, at the beginning of the period, including:	**76 906**	**30 619**
a) attributed to the financial result	*32 365*	*28 505*
b) attributed to equity	*44 541*	*2 114*
2. Increases	***16 114***	***55 034***
a) attributed to financial result of the period in respect of deductible temporary differences (due to)	*4 584*	*11 547*
- appearance of temporary differences	*4 584*	*11 547*
b) attributed to equity in respect of negative temporary differences (due to)	*11 530*	*43 487*
3. Decreases	**31 640**	**8 747**
a) attributed to financial result of the period in respect of negative temporary differences (due to)	*10 581*	*7 687*
- reversal of temporary differences	*10 581*	*7 687*
- changes of tax rate		
b) attributed to equity in respect of negative temporary differences (due to)	*21 059*	*1 060*
4. increases due to consolidation		
5. Balance of assets due to deferred income tax, at the end of the period, including:	**61 380**	**76 906**
a) attributed to the financial result	*26 368*	*32 365*
b) attributed to equity	*35 012*	*44 541*

NOTE 5 - Inventory	thousand x PLN	
	2017	2016
1. materials	257 115	275 718
2. semi-finished products and work in progress	193 057	159 396
3. finished products	185 590	115 951
4. goods	7 699	53 517
5. advances for deliveries		
Inventory, total	**643 461**	**604 582**

As at the balance sheet date, the following charges of inventory apply:
- regarding materials – a registered pledge agreement to the amount of 20,000 thousand PLN for the benefit of PNB Paribas S.A. and up to 15,000 thousand PLN for Bank Handlowy, and up to 70 000 thousand PLN for Bank PKO BP S.A. and up to 35 000 thousand PLN for Bank Pekao S.A. due to protection of the granted credit limits for the Parent Company.

Moreover, a valid registered pledge over the goods is binding to the Stalprodukt-Centrostal Kraków sp. z o.o. Company, up to the amount of PLN 30 000 thousand, securing the current account credit granted by PKO BP S.A.

In ZGH, registered pledges of up to PLN 1 million rest on coke inventories to secure the long-term coke sales agreement in favor of Jastrzębska Spółka Węglowa.

NOTE 6a - Short-term receivables	thousand x PLN	
	2017	2016
1. trade receivables, maturing:	465 773	512 593
- up to 12 months	*465 773*	*512 593*
- above 12 months		
2. receivables from tax, subsidy, customs, social security and other benefits	70 736	59 698
3. claimed at court		
4. other	28 379	15 260
Net short-term receivables, total	**564 888**	**587 551**
- write-downs of receivables	13 441	12 642
Gross short-term receivables, total	**578 329**	**600 193**

As at 31.12.2017 also the undetermined amount the silent cession of claims is valid from 11 customers, as security for a limit on guarantees and letters of credit in Fortis Bank Polska S.A. as well as silent assignment duties in the amount of 10,000 thousand PLN, which constitutes security of the limit for guarantees and letters of credit in BGŻ BNP Paribas S.A.

As of the balance sheet day, there is a binding obligation to transfer the receivables from the HCM S.A. fixed-term deposit account, amounting to PLN 20 643 thousand, aimed at securing the loan No 216/2016/97/OW/op/P. The promissory note was endorsed by the parent company ZGH "Bolesław" as a security for the loan No 243/2011 from the National Fund for the Environmental Protection and Water Management. The promissory note along with the promissory note agreement secure the refund of the redemption value of PLN 1 000 thousand arising from the agreement No 1/2016/Wn-06/OZ-UI/U defining the conditions for the intended use of the means derived from the partial redemption of the loan granted pursuant to the agreement No 426/2004.

NOTE 6b - Change in short-term receivables write-down	thousand x PLN	
	2017	2016
Balance at the beginning of the period	**12 642**	**11 771**
1. increase (due to)	**2 862**	**2 815**
a) provision for doubtful receivables	2 862	2 815
2. decrease (due to)	**2 063**	**1 944**
a) cancellation	28	276
b) release of provision (reserve) for doubtful receivables	885	1 043
c) exchange rates differences	632	7
d) adjustment		72
e) payment	518	546
Balance of short-term receivables write-downs at the end of the period	**13 441**	**12 642**

NOTE 6c - Gross short-term receivables (currency structure)	thousand x PLN	
	2017	2016
1. in Polish currency	**320 879**	**237 422**
2. in foreign currencies (according to currencies converted into PLN)	**257 450**	**362 771**
a) in EURO	*28 072*	*29 446*
converted into PLN	**118 254**	**129 370**
b) in USD	*39 982*	*55 925*
converted into PLN	**139 196**	**233 401**
Short-term receivables, total	**578 329**	**600 193**

NOTA 6d - Trade receivables (gross) – maturing as at the balance day:	thousand x PLN	
	2017	2016
up to 1 month	*248 188*	*157 398*
above 1 month up to 3 months	*130 940*	*204 571*
above 3 months up to 6 months	*1 543*	*465*
above 6 months up to 1 year	*960*	*762*
above 1 year	*72*	*120*
overdue receivables	*97 511*	*161 919*
Trade receivables, total (gross)	**479 214**	**525 235**
trade receivables write-downs	*13 441*	*12 642*
Trade receivables, total (net)	**465 773**	**512 593**

The normal course of sales is connected with the time interval for repayment of receivables up to 3 months.

NOTE 6e - Trade receivables, overdue (gross) – divided into unpaid receivables within the period:	thousand x PLN	
	2017	2016
up to 1 month	*69 840*	*134 080*
above 1 month up to 3 months	*16 227*	*14 493*
above 3 months up to 6 months	*606*	*1 370*
above 6 months up to 1 year	*514*	*412*
above 1 year	*10 324*	*11 564*
Trade receivables, total (gross)	**97 511**	**161 919**
trade receivables write-downs	*13 441*	*12 642*
Trade receivables, total (net)	**84 070**	**149 277**

NOTE 6f - Disputable and overdue receivables

The total amount of gross short-term receivables, i.e. 479,214 thousand PLN, overdue receivables amount to 97,511 thousand PLN. Disputable overdue receivables did not occur. Overdue receivables only apply to trade receivables. Out of the overdue receivables, only the amount of 13,441 thousand PLN was covered by write-downs. The remaining receivables were not subject to write-downs due to the fact that are justified by the strategy and marketing policies of the parent company and secured by bank guarantees and promissory notes.

NOTE 7a - Short-term investments	thousand x PLN	
	2017	2016
1. cash	**498 037**	**286 179**
a) cash in hand and at bank	*498 037*	*286 179*
2. loans	**50 000**	**40 000**
3. other short-term investments	**118 807**	**125 395**
Short-term investments, total	**666 844**	**451 574**

NOTE 7b - CASH AND ITS EQUIVALENTS (currency structure)	thousand x PLN	
	2017	2016
1. in Polish currency	**320 879**	**237 422**
2. in foreign currencies (according to currencies converted into PLN)	**257 450**	**362 771**
a) in EURO	*28 072*	*29 446*
converted into PLN	**118 254**	**129 370**
b) in USD	*39 982*	*55 925*
converted into PLN	**139 196**	**233 401**
3. other currencies		
Short-term receivables, total	**578 329**	**600 193**

Cash and cash equivalents are invested in secure financial instruments, such as short-term deposits with a term up to 30 days. These deposits are not at risk and ensure the availability of financial resources. The interest rate on deposits negotiated each time, forms significantly above the standard interest rate of deposits. As of the balance sheet day, funds were placed on overnight deposits.

NOTE 8 - Short-term accruals	thousand x PLN	
	2017	2016
1. active cost accruals, including:	**26 638**	**25 845**
a) costs of insurance and subscription	*3 553*	*3 103*
b) staged repairs	*11 734*	*9 300*
c) research and development works	*2 381*	
d) other	*944*	*538*
e) subsidies from National Center for Research and Development		*8 043*
f) prepayments and accruals	*8 026*	*4 861*
2. other accruals, including:		**23**
Short-term accruals, total	**26 638**	**25 868**

Write-offs

Asset write-offs due to impairment of value refer to short-term receivables and stocks of finished products. The total value of write-offs as at the balance sheet date amounts to 14,912 thousand PLN, including those concerning receivables of 13,441 thousand PLN and finished products of 1 471 thousand PLN.
During the reporting period there was made a write-off in the amount of 1 471 thousand PLN in scope of inventories of finished products and a write-off from the previous year was dissolved in the amount of 225 thousand PLN, in connection with sale of the products covered by the write-off, the previous year's materials write-off. Write-off due to impairment of doubtful receivables was made in the amount of 13,441 thousand PLN and a part of the previous write-downs in the amount of 2,063 thousand PLN, in connection with payment of receivables, cancellation and adjustments.

NOTA 9 - KAPITAŁ AKCYJNY JEDNOSTKI DOMINUJĄCEJ (STRUKTURA)								
w tys. zł								
Seria / emisja	Rodzaj akcji	Rodzaj uprzywilejowania akcji	Rodzaj ograniczenia praw do akcji	Liczba akcji	Wartość serii/ emisji wg wartości nominalnej	Sposób pokrycia kapitału	Data rejestracji	Prawo do dywidendy (od daty)
A	imienne uprzywilejowane	5 głosów na WZA i podział majątku		71 663	143 326	gotówka	3.07.1991	1.07.1992
A	imienne bez uprzywilejowania	nie uprzywilejowane		1 820	3 640	gotówka	3.07.1991	1.07.1992
B	imienne uprzywilejowane	5 głosów na WZA i podział majatku		281 030	562 060	gotówka	16.11.1993	1.01.1994
B	imienne bez uprzywilejowania	nie uprzywilejowane		14 510	29 020	gotówka	16.11.1993	1.01.1994
C	zwykłe na okaziciela	nie uprzywilejowane		780 000	1 560 000	gotówka	20.10.1994	1.01.1995
D	zwykłe na okaziciela	nie uprzywilejowane		780 000	1 560 000	gotówka	20.10.1994	1.01.1995
E	imienne uprzywilejowane	5 głosów na WZA i podział majątku		1 301 874	2 603 748	gotówka	30.09.1996	1.01.1996
E	imienne bez uprzywilejowania	nie uprzywilejowane		44 370	88 740	gotówka	30.09.1996	1.01.1996
F	zwykłe na okaziciela	nie uprzywilejowane		1 105 000	2 210 000	gotówka	17.12.1996	1.01.1997
G	zwykłe na okaziciela	nie uprzywilejowane		1 200 000	2 400 000	gotówka	13.05.1997	1.01.1997
Liczba akcji, razem				5 580 267				
Kapitał zakładowy, razem					11 160 534			
Wartość nominalna jednej akcji (w zł)		2,00						

Preference as to assets means that in the case the Company is liquidated, the assets remaining after the creditors have been satisfied, primarily serve to cover the nominal amount in respect of all the shares, and the rest of the assets are equally distributed to cover the preference shares.

NOTE 11– Supplementary capital	thousand x PLN	
	2017	2016
1. from sale of shares above their nominal value	35 054	35 054
2. statutorily created	646	646
3. created in accordance with the statute / articles of association, above the statutorily required (minimum) value	108 078	108 078
4. from subsidies of the shareholders / partners		
5. other (by type)	347 185	239 701
a) from revaluation of fixed assets	*285*	*285*
b) from liquidation and revaluation of fixed assets	*181*	*181*
c) from sale of shares	*148*	*148*
d) negative difference between the nominal value and purchase price of own shares	*-26 638*	*-26 638*
e) retained profit	*60 510*	*60 510*
f) retained profit (loss)	*312 699*	*205 215*
Supplementary capital, total	**490 963**	**383 479**

Supplementary capital is mandatory created in the company (by law). According to the Code of Commercial Companies, the company must allocate to the reserve capital at least 8% of annual net profit until the capital reaches 1/3 of share capital. Supplementary capital is increased by the excess over the issue of shares above their nominal value and the difference from the revaluation of fixed assets, which have been liquidated or sold.
The amounts resulting from the subsidiary companies profit distribution are also transferred to the supplementary capital, pursuant to the Resolutions pf the Shareholders' Meeting (subpar. c). Supplementary capital also includes profit from previous years, referring to negative goodwill from previous years and settled in accordance with IFRS, as well as retained profits on revaluation of fixed assets and the right of perpetual usufruct of land, made on the date of transition to IFRS.

NOTE 12 – Revaluation reserve	thousand x PLN	
	2017	2016
1. from revaluation of fixed assets		
2. in respect of the financial instruments valuation	*-126 978*	*-169 860*
Revaluation reserve, total	**-126 978**	**-169 860**

NOTE 13 – Other reserve capitals (by appropriation)	thousand x PLN	
	2017	2016
- reserve capital for investments	1 337 442	1 236 309
- reserve capital for financing of current assets	12 145	12 145
- reserve capital for the financing of the own-shares-purchase	51 000	51 000
- other reserve capital	76 568	76 568
Revaluation reserve, total	**1 477 155**	**1 376 022**

Other capital reserves are formed from the profit, whose distribution is determined by the General Meeting of Shareholders at the parent company and General Meetings of Shareholders at subsidiary companies. These capital reserves serve to finance the current assets and cover the potential loss. The use of these reserves is determined by the General Meeting of Shareholders or Meeting of Shareholders.

NOTE 14 – CHANGE IN MINORITY INTEREST	thousand x PLN	
	2017	**2016**
Balance at the beginning of the period	**80 572**	**85 601**
1. increases (due to)	**20 987**	**19 477**
a) profit distribution	*20 987*	*19 477*
2. decrease (due to)	**11 190**	**24 506**
a) dividend payment		
b) change in the minority shares	*11 190*	*24 506*
Minority interest status at the end of reporting period	**90 369**	**80 572**

NOTE 15a - CHANGE IN THE BALANCE OF RESERVE FOR DEFERRED INCOME TAX	thousand x PLN	
	2017	**2016**
1. The balance of deferred income tax, at the beginning of the period, including:	**81 471**	**84 584**
a) attributed to financial result (due to)	76 265	61 842
b) attributed to equity (due to)	5 206	22 742
2. Increases (due to)	**17 896**	**15 751**
a) differences between the depreciation entered in the balance sheet and tax depreciation	16 788	11 925
b) exchange differences	396	2 204
c) others reserves	712	1 622
3. Decreases	**9 338**	**18 864**
a) attributed to the financial result due to positive temporary differences (due to)	7 163	1 328
- reversal of temporary differences (use of reserves for deferred income tax)	7 163	1 328
b) attributed to the financial result due to positive temporary differences (due to)	2 175	17 536
- valuation of hedging transactions	2 175	17 536
4. Balance of reserve at the end of the period, total	**90 029**	**81 471**
a) attributed to the financial result	86 998	76 265
b) attributed to equity	3 031	5 206

NOTE 15b - Change of the balance of other long-term reserves	thousand x PLN 2017	2016
1. balance at the beginning of the period	**149 033**	**147 950**
2. increases (due to)	**10 145**	**10 983**
a) provision for retirement benefits	*3 945*	*5 803*
b) forming a provision for a sludge pond reclamation	*55*	*495*
c) forming a provision for mine liquidation	*6 145*	
d) forming a provision for guarantee repairs		*109*
d) forming other provisions		*4 576*
3. dissolution (due to)	**609**	**9 900**
a) transfer to a short-term reserve		*766*
b) paid retirement benefits	*609*	*959*
c) decrease of a reserve		*8 175*
4. balance at the end of the period	**158 569**	**149 033**

NOTE 15 c - CHANGE IN OTHER SHORT-TERM RESERVES (BY TITLE)	thousand x PLN 2017	2016
1. balance at the beginning of the period	**95 306**	**73 612**
2. increases (due to)	**46 584**	**96 626**
a) transfer from long-term reserves to short-term ones	*2 605*	*766*
b) formation of reserves for future liabilities	*34 079*	*84 092*
c) formation of reserves for retirement benefits	*326*	*4 028*
d) formation of other reserves	*9 574*	*7 740*
3. utilized (in respect of)	**45 292**	**54 883**
a) other liabilities	*45 292*	*54 883*
4. dissolution (due to)	**31 427**	**20 049**
a) paid retirement benefits	*726*	*2 605*
b) other	*30 701*	*17 444*
5. balance at the end of the period	**65 171**	**95 306**

NOTE 16a - Long-term liabilities	thousand x PLN 2017	2016
1. credits and loans	**101 738**	**102 640**
2. in respect of issued debt securities		
3. other financial liabilities, including:	**83 265**	**97 237**
b) financial lease agreements	*3 935*	*5 766*
c) hedging transactions agreements/ collateral agreements	*79 330*	*91 471*
4. other (according to type)	**4 547**	**6 164**
a) other	*597*	*694*
b) geological information fee	*3 950*	*5 470*
5. contingent liabilities due to the purchase of ZGH	**296 115**	**296 115**
Long-term liabilities, total	**485 665**	**502 156**

NOTE 16b - Long-term liabilities, maturing as at the balance sheet date	thousand x PLN	
	2017	2016
a) above 1 year to 3 years	*155 127*	*64 021*
b) above 3 to 5 years	*18 249*	*67 468*
c) above 5 years	*16 174*	*74 552*
d) contingent liabilities due to the purchase of ZGH	*296 115*	*296 115*
Long-term liabilities, total	**485 665**	**502 156**

NOTE 16c - Long-term liabilities (currency structure)	thousand x PLN	
	2017	2016
1. in Polish currency	**485 665**	**502 156**
2. in foreign currency (by currency and converted into PLN)	**0**	**0**
Long-term liabilities, total	**485 665**	**502 156**

NOTE 16d - LONG-TERM LIABILITIES FOR CREDITS AND LOANS													
Name (company) of the unit, indicating its legal form	Seat	The amount of credit/loan according to the agreement				The amount of credit/loan remaining for repayment				Interests	Term of repayment	Collaterals	Other
		in thousand PLN	in currency	unit	currency	in thousand PLN	in currency	unit	currency				
WFOŚ i GW	Kraków	891	PLN	in thousand	PLN	357	PLN	in thousand	PLN	3,6 % per year	2020-12-09	Blank promissory note with promissory note agreement guaranteed by ZGH "Bolesław"	
WFOŚ i GW	Kraków	1 105	PLN	in thousand	PLN	441	PLN	in thousand		3,6 % per year	2022-12-09	Blank promissory note with promissory note agreement guaranteed by ZGH "Bolesław"	
NFOŚ i GW	Katowice	20 389	PLN	in thousand	PLN	20 389	PLN	in thousand	PLN	0.95 rediscount rate of bills	2026-03-31	Transfer of receivables from a fixed-time deposit account in the amount of PLN 20 643 200	
NFOŚ i GW	Warszawa	28 082	PLN	in thousand	PLN	6 082	PLN	in thousand	PLN	3,5 % per year	2020-09-30	Promissory note guaranteed by ZGH "Bolesław" S.A.	
PEKAO S A	Warszawa	13 000	PLN	in thousand	PLN	5 200	PLN	in thousand	PLN	wibor1M+0,9	2020-12-31	Bill of exchange guarantee of Stalprodukt S.A. mortgage on STP ELBUD land	STP ELBUD Sp. z o.o. investment credit
NFOŚ i GW	Warszawa	42 162	PLN	in thousand	PLN	34 395	PLN	in thousand	PLN	3,5 % per year		Blank promissory note without protest with the promissory note agreement	
NFOŚ i GW	Warszawa	36 956	PLN	in thousand	PLN	28 036	PLN	in thousand	PLN	3,5 % per year	2022-12-20	Blank bill of exchange with the bill of exchange agreement without protest	
WFOŚ i GW	Kraków	4 743	PLN	in thousand	PLN	2 684	PLN	in thousand	PLN	3,6 % per year	2020-12-09	Blank promissory note with promissory note agreement guaranteed by ZGH "Bolesław"	
INGBank Śląski	Katowice	4 700	PLN	tys	PLN	4 154	PLN	tys	PLN	variable interest rate	2022-04-30	registered pledge, assignment of rights from insurance policy	

NOTE 17a - Short-term liabilities	thousand x PLN	
	2016	2015
1. credits and loans, including:	**254 176**	**111 086**
a) long-term, maturing	*25 000*	*20 000*
2. in respect of issued debt securities		
3. due to dividend		
4. other financial liabilities, including:	**184 450**	**23 232**
a) from leasing	*2 293*	*1 764*
b) from purchase of enterprise	*6 114*	*6 114*
c) in respect of the concluded hedging transactions	*176 043*	*15 354*
5. trade liabilities, maturing:	**336 852**	**243 879**
a) up to 12 months	*335 001*	*241 332*
b) over 12 months	*1 851*	*2 547*
6. received advances for deliveries	**462**	**511**
7. tax, customs, insurance and other liabilities	**74 651**	**74 221**
8. payroll	**23 295**	**21 795**
a) other (by title)	**64 070**	**60 126**
a) social fund	*8 187*	*8 068*
b) PKZP	*1 076*	*1 076*
c) PZU	*1 897*	*1 152*
d) mining plant liquidation fund	*15 629*	*14 365*
e) settlements of investments	*20 566*	*17 059*
f) other	*16 715*	*18 406*
Short-term liabilities, total	**937 956**	**534 850**

NOTE 17b - Short-term liabilities (currency structure)	thousand x PLN	
	2016	2015
1. in Polish currency	**782 417**	**472 875**
2. in foreign currency (by currency and converted into PLN)	**155 539**	**61 975**
a) in EUR	*20 613*	*12 741*
converted into PLN	**90 861**	**54 330**
b) in USD	*15 470*	*1 934*
converted into PLN	**64 678**	**7 645**
Short-term liabilities, total	**937 956**	**534 850**

NOTE 17c - SHORT-TERM LIABILITIES FOR CREDITS AND LOANS

Name (company) of the unit, indicating its legal form	seat	The amount of credit limit/loan according to the agreement				The amount of credit/loan remaining for repayment				Interests	Term of repayment	Collaterals	Other
		in thousand PLN	in currency	unit	currency	in thousand PLN	in currency	unit	currency				
Bank Pekao S.A.	Kraków	100 000	PLN	in thousand	PLN	34 183		in thousand	PLN	WIBOR + margin	September 2017	Pledge on inventories	Overdraft in current account, limit for guarantees and letters of credit. Within the limit the Capital group companies enjoy sublimits of up to PLN 30.332 thousand (13.000 Stp Elbud and +17 332 Cynk Mal S.A.)
PKO Bank Polski S.A.	Warszawa	150 000	PLN	in thousand	PLN	69 526		in thousand	PLN	WIBOR + margin	August 2017	Pledge on inventories, blank bill of exchange	Overdraft limit in current account up to PLN 80.000 thousand limit for guarantees and letters of credit up to PLN 40.000 thousand. Within the limit the Capital Group's companies enjoy sublimit of up to PLN 30.000 thousand including STP Elbud PLN 10.000 thousand and Centrostal PLN 20.000 thousand
PKO Bank Polski S.A.	Warszawa	20 000	PLN	in thousand	PLN	10 476		in thousand	PLN	WIBOR + margin	August 2017	Pledge on inventories,	Overdraft in current account of Stalprodukt-Centrostal
Bank Handlowy w Warszawie S.A.	Warszawa	65 000	PLN	in thousand	PLN	28 383		in thousand	PLN	WIBOR + margin	July 2017 / January 2018	Pledge on material inventories, assignment of receivables.	Overdraft in current account and short-term guarantees and letters of credit of up to PLN 40.000 thousand.. Limit for long-term guarantees of up to PLN 25.000 thousand
Alior Bank SA	Warszawa	1 000	PLN	in thousand	PLN			in thousand	PLN	4,68% per year	March 2017	Mortgae of up to PLN 2 250 thousand, transfer of receivables from insurance agreement	
BGŻ BNP Paribas S.A.	Kraków	50 000	PLN	in thousand	PLN	41 416		in thousand	PLN	WIBOR + margin	January 2017	Pledge on materials, assignment of receivables, blank bill of exchange,	Credit limit in the current account, guarantees and letters of credit. Within the limit Stalprodukt Wamech enjoys a limit of up to PLN 2 million.
PKO Bank Polski S.A.	Warszawa	10 000	PLN USD, EURO	in thousand	PLN	2018		in thousand	PLN	for PLN, Euribor 1 M+0,7 pp,for EUR Libor 1M+0,8 pp	August 2017	Declaration on submission to enforcement under art. 777 of Code of Civil Procedure	
NFOŚ i GW	Warszawa	36 956	PLN	in thousand	PLN	4 460	PLN	in thousand	PLN	3,3 % per year	December 2017	Blank bill of exchange with the bill of exchange agreement, mortgage on the real estate on which an undertaking is being carried out, court register pledge resting on the collection of items purchased or produced sądowy zastaw rejestrowy na zbiorze rzeczy zakupionych lub within the framework of the undertaking, assignemnt of the insurance policy	Loan from the National Fund for Environmental Protection and water Management amounting to PLNi 36,956.250.00 - with a short-term part (to be repaid by 31.12.2017)
NFOŚ i GW	Warszawa	28 082	PLN	in thousand	PLN	3 667	PLN	in thousand	PLN	3,5 % per year	September 2020	Promissory note guaranteed by ZGH Bolesław S.A.	
Credit Agricole Bank Polska S.A	Wroclaw	5 000	PLN, USD, EUR	in thousand	PLN	2 204		in thousand	PLN	wibor, euribor, libor + margin	October 2017	Declaration on submission to enforcement under art.777 of the Code of Civil Procedure	
Bank Pekao S.A.	Warszawa	20 000	PLN	in thousand	PLN	13 702	PLN	in thousand	PLN	WIBOR + margin	September 2017	Power of attorney authorizing to the use of bank accounts, acceptance of joint and several liability by Stalprodukt S.A.,	Overdraft in current account of Cynk Mal S.A.
Bank Pekao S.A.	Warszawa	15 000	PLN, USD, EUR	in thousand	PLN	1 702		in thousand	PLN	wibor, euribor, libor 1M + margin	September 2017	Declaration on submission to enforcement under art.777 of the Code of Civil Procedure	
ING Bank Śląski S.A.	Katowice	30 000	PLN, USD, EUR	in thousand	PLN	5 314	PLN	in thousand	PLN	wibor, euribor, libor + margin	October 2017	Declaration on submission to enforcement under art.777 of the Code of Civil Procedure	
Pekao S.A.	Kraków	13 000	PLN	in thousand	PLN	2 600	PLN	in thousand	PLN	wibor 1M + margin	September 2017	Power of attorney authorizing to the use of bank accounts and eclaration on submission to enforcement	Long-term credit with an annual repayment period
Pekao S.A.	Kraków	13 000	PLN	in thousand	PLN	6 579	PLN	in thousand	PLN	wibor + margin			
PKO Bank Polski S.A.	Warszawa	10 000	PLN	in thousand	PLN	1 774	PLN	in thousand	PLN	wibor + margin	August 2017	Blank promissory note and declaration on submission to enforcement	Limit for guarantees letters of credit and overdraft in current account within a trilateral agreement of Stalprodukt S.A., Stalproduk Centrostal, Elbud
GETIN NOBLE BANK SA	Warszawa	5 000	PLN USD EURO	in thousand	PLN	0		in thousand	PLN	wibor + margin	January 2017	Declaration on submission to enforcement under art.777 of the Code of Civil Procedure	Gradir Montenegro d. o.o.
WFOŚ i GW	Kraków	4 743	PLN	in thousand	PLN	678	PLN	in thousand	PLN	3,6% per year	December 2022	Blank promissory note guaranteed by ZGH Bolesław S.A.	
WFOŚ i GW	Kraków	891	PLN	in thousand	PLN	177	PLN	in thousand	PLN	3,6% per year	December 2020	Blank promissory note guaranteed by ZGH Bolesław S.A.	
WFOŚ i GW	Kraków	1 105	PLN	in thousand	PLN	221	PLN	in thousand	PLN	3,6% per year	December 2020	Blank promissory note guaranteed by ZGH Bolesław S.A.	
NFOŚ i GW	Warszawa	42 162	PLN	in thousand	PLN	6 213	PLN	in thousand	PLN	3,5% per year	December 2022	Blank promissory note with promissory note declaration	

NOTE 18 - Accruals	thousand x PLN	
	2017	2016
1. disclosed deferred income	**19**	**636**
a) long-term (by titles)	**0**	**388**
- subsidy EKOFUNDUSZ		*83*
- other		*305*
b) short-term (by titles)	**19**	**248**
- subsidy EKOFUNDUSZ		*30*
- other	*19*	*218*
2. deferred income	**17 995**	**15 659**
a) long-term (by titles)	**5 555**	**4 677**
- National Fund for Environmental Protection and Water Management loan write-off	*100*	*125*
- technical solutions – extraction of Indium, German and Tin	*1 017*	*142*
- subsidy	*4 438*	*4 410*
b) short-term (by titles)	**12 440**	**10 982**
- received advances	*1 175*	*1 286*
- subsidy NCBiR	*2 064*	*1 993*
- subsidy NFOś	*9 201*	*7 703*
Other accruals, total	**18 014**	**16 295**

NOTE 19 - Book value per 1 share

The book value per 1 ordinary share was calculated as the ratio of equity to the number of shares (2,235,668 thousand PLN:5,580,267 shares = 400.64 PLN).

NOTE 20 a - NET INCOME FROM SALES OF PRODUCTS (MATERIAL STRUCTURE-TYPES OF ACTIVITIES)	thousand x PLN	
	2017	2016
- transformer sheets	519 154	552 849
- toroidal cores	11 290	10 194
- steel sheets, hot-rolled and cold-rolled strips	63 844	70 550
- cold formed profiles	569 746	512 700
- road barriers	101 249	77 775
- steel structures, including door and door frames	98 337	95 732
- galvanized banding steel and galvanized wire	52 419	43 493
-zinc	935 041	836 287
- alloys	730 168	536 389
- flotation galena	64 108	53 035
- suplhuric acid	15 703	17 012
- dolomite	20 874	15 109
- Zn-Pb-Ag concentrate	-3 237	15 775
- refined lead	107 568	103 084
- Dore metal	46 141	52 388
- other products	10 507	14 847
- services	41 063	49 434
Net revenues from sales of products, total	**3 383 975**	**3 056 653**

NOTE 20b - NET INCOME FROM SALES OF PRODUCTS (TERRITORIAL STRUCTURE)	thousand x PLN	
	2017	2016
a) country	**1 999 568**	**1 575 104**
- transformer sheets	33 179	38 340
- toroidal cores	5 805	4 143
- steel sheets, hot-rolled and cold-rolled strips	53 529	59 864
- cold formed profiles	399 808	373 037
- road barriers	78 519	51 294
- steel structures, including door and door frames	95 300	94 464
- galvanized banding steel and galvanized wire	32 188	25 233
-zinc	529 488	375 024
- alloys	633 285	423 479
- suplhuric acid	8 903	9 912
- dolomite	20 874	15 109
- refined lead	73 967	53 011
- concentrate	-3 237	
- others	7 187	12 839
- services	30 773	39 355
b) export	**1 384 407**	**1 481 549**
- transformer sheets	485 975	514 509

- toroidal cores	*5 485*	*6 051*
- steel sheets and hot- and cold-rolled strips	*10 315*	*10 686*
- cold formed profiles	*169 938*	*139 663*
- road barriers	*22 729*	*26 481*
- steel structures, including door and door frames	*3 037*	*1 268*
- galvanized banding steel and galvanized wire	*20 231*	*18 260*
-zinc	*405 553*	*461 263*
- alloys	*96 883*	*112 910*
- flotation galena	*64 108*	*53 035*
- suplhuric acid	*6 800*	*7 100*
- Zn-Pb-Ag concentrate		*15 775*
- refined lead	*33 601*	*50 073*
- Dore metal	*46 141*	*52 388*
- other products	*3 321*	*2 008*
- services	*10 290*	*10 079*
Net income from sales of products, total	**3 383 975**	**3 056 653**

NOTE 21a -Net revenues from sales of goods and materials (material structure – types of activities)	**thousand x PLN**	
	2017	**2016**
a) goods	*58 825*	*28 888*
b) technological waste	*33 261*	*24 866*
c) other materials	*25 029*	*30 528*
Net revenues from sales of goods and materials, total	**117 115**	**84 282**

NOTE 21b - Net revenues from sales of goods and materials (TERRITORIAL STRUCTURE)	**thousand x PLN**	
	2017	**2016**
1. country	**100 981**	**72 689**
a) goods	*58 825*	*28 498*
b) technological waste	*33 261*	*24 866*
c) other materials	*8 895*	*19 325*
2.) export	**16 144**	**11 593**
a) goods		*390*
b) technological waste	*16 144*	*11 203*
Net revenues from sales of goods and materials, total	**117 125**	**84 282**

NOTE 22 - Costs by type – cost of manufacture of products sold	thousand x PLN	
	2017	2016
1. amortization	**137 488**	**140 561**
2. consumption of materials and energy	**2 108 899**	**1 750 425**
3. external services	**278 272**	**223 215**
4. taxes and fees	**59 524**	**55 765**
5. payroll	**423 660**	**402 819**
6. social insurance and other benefits	**112 614**	**107 334**
7.other costs by type (due to)	**18 310**	**14 592**
a) business trips	*2 963*	*2 830*
b) property insurance	*3 411*	*4 236*
c) representation and advertising	*3 407*	*3 682*
d) trainings	*1 563*	*1 432*
e) other	*6 966*	*2 412*
8. balance of exchange differences arising from settlements, provisions against retirement allowances, finished products price reduction	**-5 948**	**5 775**
- balance of exchange differences arising from settlements	*-7 464*	*5 179*
- balance of provisions against retirement allowances	*45*	*371*
- provisions for loss of value of finished products	*1 471*	*225*
Costs by type, total	**3 132 819**	**2 700 486**
Change in stocks, products and accruals	-73 647	-59 285
Cost of manufacture of goods produced for own purposes (negative value)	-6 665	
Selling costs (negative value)	**-70 774**	**-70 981**
General and administrative costs	**-140 216**	**-135 787**
Cost of manufacture of products sold	**2 841 517**	**2 434 433**

NOTE 23 - Other operating revenues	thousand x PLN	
	2017	2016
1. profit from transfer of non-financial fixed assets	**3 887**	**281**
2. reversed provisions (due to)	**25 727**	**21 047**
a) doubtful receivables	*136*	*702*
b) retirement benefits	*4 050*	*3 557*
c) predicted CO_2 emissions, energy origin certificates		*527*
d) other provisions	*17 691*	*6 475*
e) revaluation of inventories	*3 850*	*9 786*
3. other, including:	**4 880**	**13 165**
a) payment of adjudicated court fees	*64*	*113*
b) revenues due to not collected payroll		
c) refund from the State Fund for Rehabilitation of the Disabled	*256*	*220*
d) received compensation	*573*	*1 112*
e) revenue from revaluation of fixed assets		*6 470*
f) surplus in working capital	*220*	*921*
g) lease revenues	*293*	*280*

h) reconciliation the company's negative goodwill		
i) value of write-off to liabilities	*76*	*1 434*
j) other	*3 398*	*2 615*
4. subsidies	**365**	**222**
Other operating revenues, total	**34 859**	**34 715**

NOTE 24 - Other operating costs	**thousand x PLN**	
	2017	**2016**
1. loss from transfer of non-financial fixed assets	**335**	**3 195**
2. revaluation of non-financial assets	**2 140**	**4 788**
3. reserves (due to)	**11 662**	**28 526**
a) doubtful receivables	*75*	*22*
b) bonus for clinics	*1 143*	*3 664*
c) landfill reclamation	*55*	*55*
d) compensations/damages	*2 174*	
e) finished products value reduction	*1 471*	*16 478*
f) mining plant liquidation	*3 652*	
g) employee benefits	*3 092*	*6 153*
h) reclamation of post-excavation areas		*1 684*
i) energy origin certificates		*470*
4. other, including:	**7 612**	**12 030**
a) donations and optional contributions	*988*	*849*
b) costs of court proceedings	*283*	*396*
c) penalties, fines, compensations	*1 952*	*433*
d) shortages in financial resources	*24*	*566*
e) value of written-off receivables		*169*
f) fixed assets liquidation costs	*279*	*2 308*
g) cost of unutilized production capacity	*329*	*362*
h) costs of road barrier tests	*906*	*1 038*
i) lease costs	*1 578*	*1 909*
j) value of scrapped materials		*2 928*
k) others	*1 273*	*1 072*
Other operating costs, total	**21 749**	**48 539**

NOTE 25 - Financial revenues	thousand x PLN	
	2017	2016
1. revenues due to interests	**9 245**	**9 077**
2. profit from transferred investments	**6 132**	**12 395**
3. exchange rate differences (the excess of negative over positive)	**50**	**13 309**
a) realized	*50*	*8 223*
b) unrealized		*5 086*
4. released provisions, due to	**274**	**406**
a) interests	*274*	*408*
5. other, including:	**13 083**	**131**
a) dividend received	*2*	*2*
b) balance-sheet valuation of investments	*12 969*	
c) other	*112*	*129*
Financial revenues, total	**28 784**	**35 318**

NOTE 26 - Financial expenses	thousand x PLN	
	2017	2016
1. due to credits and loans	**12 554**	**10 068**
2. other interests	**537**	**364**
3. Loss on disposal of investments		**6 327**
4. released provisions, due to	**331**	**705**
a) accrued but not paid interests	*331*	*705*
5. other, including	**27 502**	**6 361**
a) balance valuation of investments		*6 361*
b) surplus of negative exchange rate differences over the positive ones	*26 495*	
c) unrealised exchange rate differences	*1 007*	
Financial expenses, total	**40 924**	**23 825**

NOTE 27 - Current and deferred income tax	thousand x PLN	
	2017	2016
1. Gross profit (loss)	347 474	425 367
2. Consolidation adjustments	-21	-523
3. Differences between gross profit (loss) prior to income tax (by titles)	-39 566	-57 556
- companies' gross tax loss	*34 530*	*2 901*
- amortization of tangible and intangible deductible expenses	*-56 412*	*-43 940*
- donations and voluntary contributions	*842*	*930*
- provision for receivables	*-1 056*	*-751*
- release of provision for retirement benefits	*-12 538*	*-6 418*
- PFRON	*5 079*	*5 044*
- leasing instalment	*-2 248*	*-2 900*
- write-off from revaluation of inventories and long-term investments	*-1 471*	*-14 805*
- cost regarding provisions for retirement benefits	*11 365*	*17 644*
- costs of assets liquidation	*-416*	*-814*
- cash and accounts balance sheet valuation	*-21 654*	*-10 324*
- social insurance for November and December '2016' and paid in January and February '2017'	*-11 642*	*-10 865*

- social insurance for November and December '2017' and paid in January and February '2018'	*12 032*	*11 224*
- costs of representation	*1 709*	*1 532*
- reconciliation of losses from previous years	*-31 843*	*0*
- dividends received	*53 811*	*-2*
- provision for claims	*-18 039*	
- other	*-1 615*	*-6 012*
4. Taxable income	307 887	367 288
5. Income tax at the rate 19%	58 499	69 785
6. Tax increases, exemptions, deductions and abatements		
7. Current income tax disclosed in tax declaration for the period, including:	58 499	69 785
- disclosed in profit and loss account	*72 046*	*80 113*
8. Deferred income tax due to temporary differences	13 547	10 328

NOTE 28a - PROFIT (LOSS) NET	thousand x PLN	
	2017	**2016**
a) parent company net profit (loss)	*100 054*	*95 731*
b) subsidiary companies net profit (loss)	*269 661*	*250 046*
c) consolidation adjustments	*-94 287*	*-523*
Profit (loss) net	**275 428**	**345 254**

NOTE 28 b - PROFIT SPLIT

Net profit for the financial year 2016 amounting of 95,731,129.62 PLN:
- reserve capital 78,990,328.62
- dividend 16,740,801.00.

Proposals for allocation of net profit for the reporting period in the amount of 100,054,032.62 PLN:
- reserve capital 83,313,231.62
- dividend 16,740,801.00.

NOTE 29 - Profit per 1 share

For the calculation of profit per one common share, the stock of 5,580,267 items. The Company does not have a complex capital structure (stock options, warrants and other), and in scope of profit split the preferred shares do not differ from ordinary bearer shares. Therefore, no ratio of diluted profit per ordinary share is not calculated.

6. Reporting by segments

According to IFRS 8, an operating segment forms a part of an entity:

- which organizes the business, in connection with which revenues can be obtained and costs incurred,

- the results of which are subject to regular review and assessment by the main body in the entity responsible for decision making and using these results while deciding on the allocation of resources to segments,

- for which there is separate financial information available.

IFRS 8 requires disclosure of operating segments based on internal reports used in managerial accounting.

Using the management approach to segment reporting in Stalprodukt, there are three operating segments distinguished:

- Electrical Sheets Segment DB,
- Profiles Segment DP,
- Zinc Segment.

For these segments, there is separate financial information drawn up for the Parent Company that the Management Board of the Company uses to evaluate the results of both segments for the purpose of bonus system, based on coverage margin, and for the purpose of the allocation of resources to a given segment.

Profiles segment includes the following products: cold formed profiles and tubes, road safety barriers and hot and cold rolled sheets and strips.

Transformer sheets segment includes transformer metal sheets and toroidal cores.

The Zinc Segment embraces the object of activities pursued by ZGH "Bolesław" S.A. jointly with the subsidiary companies, i.e. excavation of zinc-lead ores production of zinc and lead as well as related activities.

The Segment of Goods was accounted jointly with Other Activities, Due to the fact that its Capital Group's sales share was decreased.

<u>Segment revenues</u> apply only to sales to external customers. Revenues of other segments in the consolidated financial statements are excluded.

<u>Segment costs</u> include the own cost of sales, including the cost of sales resulting from the operations of the segment. Segment costs do not include other operating costs, which can not be directly attributed (attributed) to the segment, general overheads costs, finance costs and income tax.

Segment result (profit/loss of the segment) is the difference between revenues and costs of the segment.

Segment assets (liabilities) are operating assets (operating liabilities) used by a segment (resulting) in operating activities, which are directly attributable to the segment (intangible assets, tangible fixed assets, inventories, receivables from customers, amounts due to suppliers) or allocated to the segment based on a reasonable basis e.g. share of the segment in sales, profit (other assets and liabilities).

The same accounting principles, including the methods of valuation, which are presented under par. 3 of this Information, taking into account the above findings, are applicable for reporting by segments.

Required information on operating segments for the year 2016 and comparable period was estimated and presented in the following tables (in thous. PLN):

Itemization 2016	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	Total Consolidated Value
Segment Revenues	530 443	736 478	2 005 191	228 978	3 501 090
Segment Costs	483 568	719 677	1 601 109	210 016	3 014 370
Segment Result	**46 875**	**16 801**	**404 082**	**18 962**	**486 720**
Other Operating and Financial Revenues Non-Attributable to the Segment					63 643
Other General, Operating and Financial Costs Non-Attributable to the Segment					202 889
Gross Profit					**347 474**
Income Tax					72 046
Net Profit					**275 428**
Segment Assets	786 469	765 985	2 072 581	290 194	3 915 229
Assets Non-Attributable to the Segment					22 528
Total Assets					3 937 757
Total Liabilities	183 194	266 501	868 422	87 857	1 405 974
Contingent Liabilities					296 115
Consolidated Liabilities					1 702 089
Investment Outlays	10 234	6 261	84 067	31 037	131 599
Depreciation	27 275	17 068	79 821	13 324	137 488

Itemization 2016	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	Total Consolidated Value
Segment Revenues	563 042	661 025	1 699 793	217 075	3 140 935
Segment Costs	443 895	616 405	1 329 601	188 554	2 578 455
Segment Result	**119 147**	**44 620**	**370 192**	**28 521**	**562 480**
Other Operating and Financial Revenues Non-Attributable to the Segment					71 038
Other General, Operating and Financial Costs Non-Attributable to the Segment					208 151
Gross Profit					**425 367**
Income Tax					80 113
Net Profit					**345 254**
Segment Assets	822 814	726 594	1 890 546	257 832	3 697 786
Assets Non-Attributable to the Segment					21 185
Total Assets					3 718 971
Total Liabilities	216 240	282 473	905 024	82 365	1 486 102
Contingent Liabilities					296 115
Consolidated Liabilities					1 782 217
Investment Outlays	4 700	22 903	136 425	16 803	180 831
Depreciation	27 474	18 752	80 891	13 444	140 561

7. Financial instruments and risk management assessment

Characteristics of financial instruments and rules for their valuation

Financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another.

The main financial instruments used by the Company include bank loans, financial leasing agreements and short-term deposits. The main purpose of these instruments is to raise funds for the activities of companies in the Group.

The Company also have other financial instruments such as cash, supplies and services receivables and payables, which are formed directly in the course of their business.

Moreover, the Issuer has an interest in other entities, which are long-term investments.

While entering financial instruments into the accounts, they are valued at cost (purchase price), which is the fair value of the payment. Transaction costs are recognized in the initial value of financial instruments.

After initial recognition, taking into account the criterion of purchase price, financial instruments are classified into one of four categories and valued as follows:

- financial instruments measured at fair value through profit or loss. This applies to financial instruments acquired in order to generate profits through short-term fluctuations in prices,
- Financial instruments held to maturity are investments with fixed or determinable payments and fixed maturity, which the Company intends to hold to that time. They are valued at amortized cost using the effective interest method,
- loans and receivables - are valued at amortized cost using the effective interest rate, and gains or losses are recognized in the profit and loss account. Receivables with a short maturity, for which the interest rate is not specified, are valued at the amount due,
- financial instruments available for sale (all other financial assets) - are valued at fair value and gains/losses from revaluation are recognized in the revaluation reserve until the sale of investments or reduction of its value. At this point, the total profit or loss from revaluation is referenced to the profit and loss account.

The fair value of financial instruments, which are traded on the current market, is determined in relation to the prices quoted on this market at the balance sheet date. If there is no quoted market price, fair value is estimated based on valuation techniques.

Financial liabilities that are not financial instruments measured at fair value through profit or loss are valued at amortized cost using the effective interest method.

Financial instruments are derecognised from the balance sheet when the Company loses control over contractual rights that make up the financial instrument, and this usually happens when the instrument is sold or when all cash flows attributable to that instrument are transferred to an independent third party.

At each balance sheet date, the Company assesses whether there is objective evidence of impairment of a financial asset or the group of financial assets. Such evidence includes: severe financial difficulties of the debtor, the disappearance of an active market for that financial instrument, adverse changes in the economic, legal and market environment of the financial instrument issuer, maintaining a significant decrease in the fair value of the instrument. When such evidence prevails, it is necessary to estimate the losses and make allowance for impairment.

Derivative financial instruments are initially recognized in the books at cost and subsequently measured at fair value. Changes in fair value of derivative financial instruments are recognized immediately in the profit and loss account. Derivatives are presented in the balance sheet as assets or liabilities held for trading.

The fair value of derivative instruments, which are traded on regulated markets, and securities available for sale is determined based on quoted market prices at the balance sheet date.

To estimate the fair value of derivative instruments, the prices of which are not quoted on regulated markets, and other financial instruments, the Company uses different methods and assumptions that are based on market conditions existing at each moment of the balance sheet.

Market and dealer quotations for specific and similar instruments are usually applied. Other techniques such as option pricing models or discounted value of future estimated cash flows, are used to determine the fair value of other instruments.

It is assumed that the nominal value of financial assets and liabilities with a maturity less than one year, reflect their fair values, which means it does not require discounting.

The purpose and policy of risk management and measurement methods.

The Parent Company is exposed to various types of financial risks - including changes in market prices of debt and equity instruments, fluctuations of currencies and interest rates. The overall financial risk management program of the Issuer focuses on the unpredictability of financial markets and seeks to minimize the potential negative effects on the Parent Company's financial results. The Department of Financial and Risk Management, supervised by the Finance Director, manages the risk in the Parent Company. The main objective is to minimize the negative effects of external changes on the results obtained by the Company. Depending on the type and size of risk, the Company complies with the appropriate instruments for the diagnosis, assessment and hedging.

The main assumption of the “Bolesław” S.A.'s hedging policy is aimed at reducing the Company's sales sensitivity to the decrease of zinc, lead and silver prices as well as the USD exchange rate. The lower the Company's hedging level is, the more sensitive it is to the declining prices. The lack of hedging would result in the Company's full exposure to the fluctuations of the exchange market zinc, lead and silver prices as well as the USD exchange rate, and in the event the price falls below the break-even level, to significant losses difficult to cover from any funds, especially if the low-price period is prolonged.

The ZGH “Bolesław” S.A.'s policy is based on the application of the financial instruments offered by banks to hedge against the exchange market prices and currency exchange rate fluctuations. ZGH “Bolesław” S.A. applies a type of hedging which consists in the transfer of risk achieved through the application of the 'short hedge' method, which protects the Company against the decrease of metal prices and USD exchange rate fluctuations. The applied derivatives vary depending on type of the market risk to be hedged against.

The main risks associated with the activities of the Group include:

a) credit risk and contractual risk,

b) liquidity risk,

c) market risk, including:

- interest rate,
- currency,
- fluctuations of the LME zinc and lead prices and LBM silver prices.

Credit and contractual risk

Credit risk in the Parent Company is limited by the current examination of the creditworthiness of contracting parties, by adopting appropriate securities (bank guarantees, letters of credit, bills of exchange, suretyships) and through constant monitoring of overdue receivables. With the aim to maintain current control, the commerce and Finances and Risk Management Departments are obliged to apply the principles set out in the procedures: credit and debt collection. These procedures specify the selection of contracting parties, setting of credit limits and procedure in the case of past due receivables.

The subsidiary companies pursue their own policies in respect of the credit-related risk management. Some of them benefit from the services rendered by the insurance companies insuring liabilities (e.g. Cynk Mal S.A.).

Contractual risk arises when an agreement for the sale of goods under certain conditions of delivery is reached with a customer, which gives rise to obligations on the part of the Company with respect to the contracting party to deliver a specific lot, with a commitment of the Company to proceed to production before getting full payment. The situation results in the risk incurred by the Company in the form of finished goods, which are not collected by the contracting party.

Contractual risk generally occurs in the Parent Company only when orders are taken for custom products and evaluation is carried out by a person accepting the order. The risk is mitigated through the adoption of appropriate securities or by receiving partial or full prepayment for ordered goods before production.

Item No.	Type of security	Type of hedged risk	2016			2015		
			Amount	Currency	thous. PLN	Amount	Currency	thous. PLN
1	Bank guarantees and letters of credit	credit/contract	908	PLN	**908**	812	PLN	**812**
2	Bank guarantees and letters of credit	credit/contract	3 474	EUR	**14 490**	3 650	EUR	**16 148**
3	Bank guarantees and letters of credit	credit/contract	7 546	USD	**26 270**	6 126	USD	**25 602**
4	Suretyships	credit/contract	899	PLN	**899**	0	PLN	**0**
5	Suretyships	credit/contract	14 950	EUR	**62 355**	14 700	EUR	**65 033**
6	Suretyships	credit/contract	1 500	USD	**5 222**	0	USD	**0**
	Total				**110 144**			**107 595**

The amount at risk equals the balance of short-term receivables plus issued guarantees and sureties granted, the fair value of derivative instruments, adjusted by the adopted securities, as well as claims against the affiliates. This amount is PLN 352,532 thousand.

It should be noted that most customers of the Group are those with whom the Group has been cooperating for many years.

Today, the Parent Company has no restructured receivables, i.e. receivables in respect to the customers with whom the Company entered into an agreement to defer payment. Given the above, the credit quality should be defined as good.

Aging of receivables was presented in the notes to the balance sheet No. 6d - 6e.

Liquidity risk

Liquidity risk management refers to the control over financial flows and securing external funding opportunities, in particular: receivables collection and security in the form of credit lines.

In the current financial standing of the Group, with a clear advantage of financing with own funds, liquidity risk does not occur. However, keeping in mind the substantial capital expenditures, with the aim of protection, the Parent Company maintains granted limits on working capital loans, based on agreements reached with cooperating banks.

The details concerning the credit line limits, credit-to-debt ratios and the remaining conditions were presented in 17c note.

Market Risk

Exchange Rates Risk

The exchange rate risk can be defined as the unfavourable impact of exchange rates on the Group's results. The following balance sheet positions are exposed to this kind of risk: granted loans, cash deposits and interest-bearing external financing sources.

As of 31.12.2017 the following data were provided in the Consolidated Balance Sheet:

loans granted – PLN 50 000 thousand,

cash – PLN 498 037 thousand,

long-term credits and loans – PLN 101 738 thousand,

short-term credits and loans – PLN 235 294 thousand.

The decrease of interest rates will result in the decrease of revenue from the interest on the granted loans and free cash flow. This will be accompanied by the reduction of costs related to external financing. The increase of interest rates will stimulate the increase of proceeds from the granted loans and free cash flow. This will be accompanied by the increase of costs related to external financing.

Both the loans, cash and the investment credit are based on variable interest rate (WIBOR, WIBID). The gross result's sensitivity to the increase of interest rates was presented below:

SENSITIVITY TO EXCHANGE RATE RISKS	in thousand PLN	
	2017	2016
Exchange rate increase by 50 basis points		
Impact on the gross result	1 055	-53
Exchange rate decrease by 50 basis points		
Impact on the gross result	-1 055	53

Currency Risk

EUR is the main currency used both in the exports and intra-community transactions. Considering the risk from EUR/PLN currency fluctuations, the Parent Company uses natural hedging as its sales from individual periods are balanced by the purchases expressed or denominated in EUR. Additionally, the currency position is being constantly monitored. It happens that during a 2-3-week period it is open (short or long), however, its value is insignificant in relation to the turnover.

USD is another currency in which settlements are made. The currency position is being constantly monitored.

As of 31.12.2017, the sensitivity of balance sheet positions, expressed in EUR and USD, to currency risks is only slight in relation to the scale of the pursued activities. The currency-expressed receivables and liabilities were presented in 6c and 17b notes, respectively.

SENSITIVITY TO CURRENCY RISKS	in thousand PLN	
	2017	2016
PLN STREANGTHENING to USD & EUR by 5%		
Impact on gross result	15 292	13 516
PLN WEAKENING to USD & EUR by 5%		
Impact on gross result	-15 292	-13 516

The nature of the activities pursued by the subsidiary company - ZGH "Bolesław" S.A. (production and USD sales of LME-quoted zinc and lead) forces the Company to pursue an active hedging policy against the currency-related risk. The Company secures its position, constantly monitoring the changes in raw material prices and currency exchange rates. Hedging itself against the currency exchange rate risk, the subsidiary company applies: forward transactions, average-rate forward transactions, options or option strategies.

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
Active currency hedging instruments as of 31.12.2017			PLN thousand		
Cash Flow Hedging	forward	$203 355 400,00	73 535	73 535	risk from USD/PLN exchange rates
Cash Flow Hedging	forward	€ 4 100 000,00	1 886	1 886	risk from EUR/PLN exchange rates
Cash Flow Hedging	option strategies		0	0	risk from USD/PLN exchange rates

Risk from Changing Raw Material Prices

In the Stalprodukt S.A. Capital Group the subsidiary ZGH „Bolesław" S.A. pursues an active commodity (Zn and Pb)risk management policy, using various derivative instruments. For metal prices risk management the following transactions are concluded: swap transactions (fixed to float, float to float), options or option strategies, forward contracts.

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
Active commodity hedging instruments as of 31.12.2017 (zinc)			PLN thousand		
Cash Flow Hedging	swap	26 325	-55 552	-55 552	Price Change Risk Zn LME in PLN
Cash Flow Hedging	swap in USD	73 770	-166 537	-166 537	Price Change Risk Zn LME in USD
Cash Flow Hedging	Option strategies (collar)	18 000	-13 875	-12 780	Price Change Risk Zn LME

Cash Flow Hedging	put	9 000	2 223	0	Price Change Risk Zn LME
Cash Flow Hedging	call	9 000	-16 098	-12 780	Price Change Risk Zn LME
Active commodity hedging instruments as of 31.12.2017 (lead)			**PLN thousand**		
Cash Flow Hedging	swap	5 800	-2 629	-2 629	Price Change Risk Pb LME in PLN
Cash Flow Hedging	swap in USD	3 000	-4 333	-4 333	Price Change Risk Pb LME in USD
Cash Flow Hedging	Option strategies (collar)	4 800	-1 122	-1 096	Price Change Risk Pb
Cash Flow Hedging	put	2 400	1 033	0	Price Change Risk Pb
Cash Flow Hedging	call	2 400	-2 155	-1 096	Price Change Risk Pb
Active commodity hedging instruments as of 31.12.2017 (silver)			**PLN thousand**		
Cash Flow Hedging	swap	5 000	4	4	Price Change Risk Ag LMBA

ZGH "Bolesław" S.A. and its Subsidiaries' Exposure to Market Risks

The GK Bolesław's exposure to market risks in 2018 is as follows:

- Zinc - approx. 99 200 tons
- Lead - approx. 15 200 tons
- Silver - approx. 492 500 Ozs
- Currency - approx. USD 343 500 000

The currency risk exposure is very strictly dependent on the metal price levels (primary exposure) and may undergo fluctuations in the case they change. Apart from the metal price levels, the currency risk exposure also includes the sales bonuses achieved in zinc and lead alloy transactions.

Security accounting,

Due to the small value of the used derivatives, the Group does not keep security accounting. The balance sheet values of particular financial instruments should be considered fair because their valuation carried out by amortized cost (amortized purchase price), using the effective valuation method, showed insignificant differences.

Whereas considering the nature of the pursued activities, the subsidiary company ZGH "Bolesław" S.A. applies hedge accounting based on the internal procedures prepared in compliance with the International Accounting Standards. The risk management policy is based on the decisions issued by the Risk Committee. The details are defined in the ZGH "Bolesław" S.A.'s Hedging Policy, approved by the Management Board with the Resolution 2/2011 dated 14 January 2011. In order to hedge itself against metal price fluctuations, the Company concludes swap transactions, options or option strategies and forward contracts. The market risk management details are clearly defined in the risk management procedure. The Financial Division is divided into two main blocks, i.e. the Front Office with its executive unit– Risk Management Department, supervising officer – Financial Director and the Back Office with its executive unit – Hedge Accounting Department with Chief Accountant as a supervising officer.

Explanations Referring to Balance Sheet Items Related to Derivative Instruments

Explanation Referring to the Item: Other long- and Short-Term Investments	PLN thousand	
	31.12.2017	31.12.2016
Long-Term investments	37 636	14 889
Short-Term Investments	118 499	35 180
TOTAL, including:	**156 135**	**50 069**
a) valuation of derivative transactions	84 335	19 096
b) securities	71 800	30 974

Explanation Referring to the Item: Liabilities (Payables) in respect of:	PLN thousand	
	31.12.2017	31.12.2016
Contracts for Hedging Transactions	79 331	91 472
Conclusions of Currency Option Transactions	187 043	176 043
Adjustment by the amount of settlements with brokers in respect of the finalized transactions	-14 719	-9 099
TOTAL	**251 655**	**258 416**

Valuation of Derivative Transactions	PLN thousand			
	31.12.2017		31.12.2016	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Commodity Transactions - Zinc	4 510	242 112	12 304	204 991
Commodity Transactions - Lead	1 459	9 543	4 102	4 495
Currency Transactions - USD/PLN EUR/PLN	78 362	0	2 125	48 903
Commodity Transactions- Silver	4	0	565	27
Total	**84 335**	**251 655**	**19 096**	**258 416**

Securities	PLN thousand	
	31.12.2017	31.12.2016
Obligacje Skarbu Państwa	**9 974**	**0**
Obligacje Skarbu Państwa FL	**3 702**	**3 641**
Shares in Investment Funds	**58 122**	**27 333**
- Płynnościowy plus	1 147	0
- BPH TFI	0	0
- Quercus	17 884	7 533
- Quercus Ochrony Kapitału FL	1 048	0
- Unikorona Pieniężny	15 518	7 497
- Unikorona Pieniężny FL	6 304	6 044
- UNILOKATA FL	966	4 911
- Obligacje Komercyjne	0	1 348

- Unikatywny Pieniężny	11 150	0
- Unikatywny Pieniężny FL	4 105	0
- Obligacje Skarbowe FL	0	0
Total	**71 798**	**30 974**

Division of Hedging Instruments	PLN thousand			
	31.12.2017		31.12.2016	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Hedging Instruments	**79 112**	**247 735**	**16 364**	**243 450**
Commodity Transactions - zinc	*2 228*	*238 192*	*9 857*	*194 231*
Commodity Transactions - lead	*1 459*	*9 543*	*4 102*	*4 495*
Currency Transactions - USD/PLN, EUR/PLN	*75 421*	*0*	*1 840*	*44 697*
Commodity Transactions - Silver	*4*	*0*	*565*	*27*
Trade Instruments	**5 223**	**3 920**	**2 730**	**14 966**
Commodity Transactions- zinc	*2 282*	*3 920*	*2 446*	*10 759*
Commodity Transactions - lead	*0*	*0*	*0*	*0*
Currency Transactions - USD/PLN, EUR/PLN	*2 941*	*0*	*284*	*4 207*
Commodity Transactions - silver	*0*	*0*	*0*	*0*
Total	**84 335**	**251 655**	**19 094**	**258 416**

Financial Report Presentation of Applied Derivative Instruments

The result of the hedging instruments valuation, in its portion recognized as 'effective hedging', is taken to the capital revaluation reserve. Asian options, aimed at hedging the Company against the change of time value, are taken to costs or to financial revenues. The trade instruments valuation result is taken to costs or financial revenues. The result from the application of hedging instruments is used to adjust the hedged item (sales). The result from the application of trade instruments is taken to costs or financial revenues.

Derivative Transactions Presented in the Profit and Loss Account:	PLN thousand	
	31.12.2017	31.12.2016
Sales of Products Adjustment	*-154 350*	*-36 401*
Sales of Goods Adjustments	*0*	*0*
Revaluation of Investments	*11 960*	*-6 389*
Gains/Loss on Sale of Investments	*5 803*	*-6 455*
Total	**-136 587**	**-49 245**

Cash Result from Reconciliation of Derivative Instruments:	PLN thousand	
	31.12.2017	31.12.2016
Commodity Transactions	*-178 757*	*5 971*
Currency Transactions	*34 331*	*-29 080*
Total	**-144 426**	**-23 109**

Sales of Products Adjustment Related to Application of Hedging Instruments:	PLN thousand	
	31.12.2017	31.12.2016
Sales Increase	*54 078*	*42 035*
Sales Decrease	*-208 428*	*-78 436*
TOTAL	**-154 350**	**-36 401**

Status of Capital from Revaluation Related to Application of Hedge Accounting (excluding Deferred Tax)	PLN thousand	
	31.12.2017	31.12.2016
Valuation of Open Hedging Instruments:	**-167 502**	**-227 539**
- Zn	*-234 869*	*-185 134*
- Pb	*-8 058*	*-392*
- USD/PLN	*73 535*	*-43 536*
- Ag	*4*	*538*
- EUR/PLN	*1 886*	*985*
Result from the Application of Hedging Instruments Capital-Retained until the Realization of the Hedged Item:	**-2 107**	**-529**
- Zn	*-1 914*	*0*
- Pb	*-193*	*-529*
- USD/PLN		*0*
TOTAL	**-169 609**	**-228 068**

8. Capital management

Capital management is pursued at the Parent Company's level.

The policy exercised by the Management Board of the Issuer assumes the maintenance of strong capital base in order to maintain the confidence of investors, creditors and the market, and the ability to continue and further develop the Group's activities, including the realization of planned investments. Following this policy and internal procedures, the Parent Company monitors the size, structure and profitability of total equity and current capital (working) on the basis of economic ratios existing in the Parent Company.

In 2017, the Parent Company properly managed the capital, since the objectives associated also with liquidity were met. Basic ratios concerning capital structure and working capital management, as defined in the financial plan reached the expected values, which enabled the achievement of the Parent Company's objectives, its smooth and reliable operation, and to raise funds for further development.

FINANCIAL LEVERAGE RATIO	in thousand PLN	
	2017	2016
Debt	*337 032*	*356 816*
Cash	*-498 037*	*-286 179*
Net Debt	*-161 005*	*70 637*
Equity	*2 235 668*	*1 936 754*
Net Debt Relation to Equity	**-7,20%**	**3,65%**

Debt is understood as long-term and short-term debt presented in the notes 16a and 17a.

In the reporting period the increase of net profit per share was recorded, the maximization of which is a strategic goal for Stalprodukt. The net profit per share decreased from PLN 61.87 in 2016 to PLN 49.36 in 2017.

Changes in equity for the years 2016 and 2017 are presented in the "Statement of changes in equity," which forms an integral part of the annual consolidated financial statements.

In 2017, there was a slight decrease in the share of equity in the financing of the Company. The equity ratio, calculated as the ratio of equity to total liabilities, didn't change and is taking out 0.57.

The ability to manage working capital increases profitability and reduces the risk of cash shortages. In this respect, the following activities of the Issuer should be noted in particular:

- The Parent Company manages the receivables by assessing the customers' financial standings, setting credit limits and securities, monitoring claims and collections, if any, in accordance with applicable procedures. The result of proper risk management in this regard is keeping overdue receivables at a minimum level,

- The main objective of the Company's inventory management is to assess the costs and benefits and their balance. The measures to ensure the continuity and regularity of supply and diversification of sources of feedstock supply to the timely implementation of procurement and maintenance of stocks at an optimal level, are systematically taken,

- The Parent Company maintained a substantial amount of cash on bank accounts, deposing them in profitable and safe short-term deposits, due to the need to finance current expenses resulting from operating activities, as well as the planned capital expenditures.

The capital management is run independently by the subsidiary Management Boards, applying the policy adopted by the Parent Company, subject to its supervision and monitoring.

The proper management of capital is evidenced by the fact that the Group reached a satisfactory liquidity throughout the reporting period timely fulfilled its obligations with respect to the staff, budget and suppliers.

9. Other information and notes

Transactions between the Company Stalprodukt and its subsidiaries rely on constant mutual provision of supplies and services necessary for current operations. These are typical and routine transactions concluded at arm's length within the Group and under the conditions resulting from current operations. Other significant transactions with related parties, namely the transfer of rights and obligations for valuable consideration and free of charge did not occur.

The parties are considered to be related if one of the parties has the ability to control another party or significantly influence operating and financial decisions taken by another party. To recognize a given entity as a related entity, the Company applies the principles defined in IAS 24, considering the nature of the relation and its impact on the entity's result and its financial standing.

a) degree of the Issuer's participation in management is 94.59 % in ZGH "Bolesław", and 100% in other related parties,

b) the Issuer's and associated companies' mutual receivables and liabilities have been presented in the Tables below.

Items 2017	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-MB sp. z o.o.	27	1 789	555	3 737
Stalprodukt-Wamech sp. z o.o.	133	2 118	1 347	9 045
Stalprodukt-Centrostal sp. z o.o.	64 631	178	331 365	1 022
Stalprodukt-Serwis sp. z o.o.	74	1 249	677	7 639
Stalprodukt-Zamość sp. z o.o.	80	103	790	542
Stalprodukt-Ochrona sp. z o.o.	22	762	209	3 241
STP Elbud sp. z o.o.	383	4 331	2 900	22 444
Cynk-Mal S.A.	7 196		27 962	7 318
ZGH „Bolesław" S.A.		10		265
Anew Institute sp.z o.o.		68	12	2 343

Moreover, in 2017 some transactions were also finalized with the entities in which the Company holds shares: Stalnet Sp. z o.o.- sales PLN 878 thousand, costs PLN 324 thousand; receivables PLN 5 thousand, liabilities PLN 33 thousand; Stalprodukt-Profil S.A. sales PLN 845 thousand, receivables PLN 31 thousand. F&R Finanse Sp. z o.o. - balance of receivables PLN 12 533 thousand. These were typical market transactions.

Items 2016	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-MB sp. z o.o.	82	1 680	595	3 558
Stalprodukt-Wamech sp. z o.o.	158	3 184	1 375	11 444
Stalprodukt-Centrostal sp. z o.o.	75 520	77	333 072	1 218
Stalprodukt-Serwis sp. z o.o.	77	2 647	676	7 295
Stalprodukt-Zamość sp. z o.o.	79	88	769	990
Stalprodukt-Ochrona sp. z o.o.	23	626	209	2 842
STP Elbud sp. z o.o.	356	4 259	3 364	20 830
Cynk-Mal S.A.	5 121		17 108	5 727
ZGH „Bolesław” S.A.		20	515	248
Anew Institute sp.z o.o.		23		228

The remaining data, necessary for the preparation of the Consolidated Financial Report, are related to the undermentioned exclusions and adjustments:

Specification 2017	in thousand PLN	
	2017	2016
participation	354 886	354 195
intangible assets	18 816	18 816
fixed assets	74 423	77 965
stocks	20	522
real estate investments	93 239	96 781
receivables and liabilities	87 238	99 180
revenue from sale of goods	372 014	365 260
revenue from sale of products	96 604	85 236
value of sold goods	353 089	340 677
cost of manufacture of sold products	112 876	106 931
costs of sales	2 634	2 364
interests	32	142
loans	7 110	8 110

10. Changes in the Issuer's Ownership Structure

The following changes took place in the Issuer’s Capital Group’s ownership structure in relation to the year 2016, being a comparable period for the present consolidated financial report:

During the year 2017 the process of repurchase of ZGH „Bolesław" S.A.'s employee shares, started in 2015, was continued, as a result of which the Stalprodukt's share in this company increased to 94.59 % towards the end of 2017.

On 3 April 2017, a merger of two companies took place, namely: Bolesław-Recycling Sp. z o.o. and ZGH "Bolesław" S.A. in accordance with the Merger Plan, i.e. through the transfer of the entire assets of the merged company (Acquire) - Bolesław-Recycling Sp. z o.o. in favour of the merging company (Acquirer) ZGH "Bolesław" S.A. without the issue of any new shares or increase of the Acquirer's share capital. Before the merger ZGH "Bolesław" had held 100% interest in the Acquire.

On 21 June 2017 the Anew Institute Sp. z o.o. company's share capital was increased by PLN 615 thousand which amount was covered in its entirety by the Parent Company with a cash contribution.

In the Issuer's Capital Group no other mergers, take-overs or sales of companies, long-term investments, divisions, restructurings or winding-ups took place, other than the ones mentioned in the present Report.

11. Other information

Differences between the Consolidated Report and the Qsr_4/2017 Report

Specification	in thousand PLN		
	was	is	difference
Profit and loss account			
I. Net revenue from sale	*3 500 960*	*3 501 090*	*130*
II. Costs of sold products, goods and materials	*2 943 135*	*2 943 596*	*461*
VI. Profit on sales	*346 402*	*346 504*	*102*
IX. Profit from operational activity	*358 184*	*359 614*	*1 430*
XII. Profit gross	*346 157*	*347 474*	*1 317*
XIV. Profit net	*274 301*	*275 428*	*1 127*
Balance sheet			
I. Fixed assets	**2 036 500**	**2 035 926**	**-574**
1. Intangible assets	*141 507*	*141 505*	*-2*
2. Property, plant and equipment	*1 768 000*	*1 768 000*	*0*
3. Long-term investments	*48 737*	*48 278*	*-459*
4. Long-term accruals	*77 720*	*77 607*	*-113*
II. Current assets	**1 904 037**	**1 901 831**	**-2 206**
1. Stocks	*645 825*	*643 461*	*-2 364*
2. Receivables	*564 448*	*564 888*	*440*
3. Short-term investments	*666 844*	*666 844*	*0*
4. Short-term accruals	*26 920*	*26 638*	*-282*
Assets in total	**3 940 537**	**3 937 757**	**-2 780**

I. Equity	**2 235 095**	**2 235 668**	**573**
II. Liabilities and provisions	**1 705 442**	**1 702 089**	**-3 353**
Liabilities in total	**3 940 537**	**3 937 757**	**-2 780**

Adjustments due to Fundamental Errors

In the reporting period there was no need to make any adjustments to fundamental errors, likely to affect the Group's assets and financial standing as well as its liquidity and profitability.

Joint Ventures with Other Entities

Within the framework of the project carried out in the area of renewable energy sources, i.e. the construction of an innovative prototype of an 1,5 MW wind turbine with a vertical axis rotor, a consortium was formed (consisting of the Krakow University of Science and Technology and Anew Institue Sp. z o.o., apart from Stalprodukt S.A.) pursuant to the agreement dated 10 December 2013, concerning the implementation and financing of the above mentioned project. The project concerned was subsidized by the Polish National Center for Research and Development, within the framework of a pilotage program DEMONSTRATOR+: *Supporting scientific research and development works in demonstration scale.* The respective agreement was signed in December 2013, and the planned project completion date is 30.06.2018. The total subsidy amount is PLN 12 539 thousand.
In 2017 works were continued in connection with:

- production of power plant elements (blades, pylons, tower);
- obtaining a building permit,
- construction works were completed (preparation of an assembly yard, access road to the assembly site and foundations),
- installation of the generator onto the foundations and its trial start-up;
- the tower was mounted and wings were installed
- the container with power- electronic equipment was installed
- the power plant units were prepared for a start-up

Salaries of Managerial and Supervising Staff

The salaries and the bonuses paid to the Company's managerial and supervising staff amounted to PLN 5 807 thousand in 2016, and PLN 3 794 thousand in 2017, including the Management Board's remunerations, respectively: PLN 4 700 and 3 393 thousand, and the Supervisory Board's salaries totaled PLN 1 107 and 401 thousand.
The salaries paid in 2016 to the Issuer's managerial and supervising staff in respect of their positions in the subsidiary companies' governing bodies totaled – PLN 345 thousand, including: managerial staff PLN 248 thousand, and supervising staff PLN 97 thousand, whereas in 2017 – PLN 340 thousand, including managerial staff PLN 246 thousand, and supervising staff PLN 94 thousand.

Post Balance Sheet-Day Events

After 31.12.2017, no events occurred, other than the ones contained in the present Consolidated Financial Report for 2017 and Parent Company's Management Board's Report, which might significantly affect the Group's standing and its future financial results.

Other information

1. In 2017, no activity conducted by the Issuer was abandoned.
2. During the reporting period the Company incurred capital expenditures of PLN 131,599 thousand, including expenditure on environmental protection PLN 25,809. Planned capital expenditures for 2018 amounts to about PLN 236,800 thousand. Capital expenditures shall be used to finance intangible fixed assets.
3. In the reporting year, the Group did not undertake any joint ventures with external entities, other than the ones mentioned in point 11 of the present Report „Other Information".
4. The average employment in occupational groups:
   - in 2016, total employment equalled 6,036 people,
   - in 2017, total employment equalled 6,088 people.
5. Both, Stalprodukt S.A. and its subsidiaries did not give advances, credits, loans and guarantees or sureties to members of the Management Board and the Supervisory Board, except for loans from the Social Fund.
6. The pending bankruptcy and composition proceedings account for the Group's receivables totaling PLN 4,872 thousand, including the amount of PLN 743 thousand in respect of Stalprodukt and PLN 4,129 thousand in respect of ZGH "Bolesław". During the reporting period, no other essential proceedings were instituted or pending before the courts or government agencies, concerning any liabilities or receivables, which might exert a significant influence on the Group's future results and its financial standing.
7. In Decmber 2015, the ZGH "Bolesław" Company granted a surety to the Boltech Sp. z o.o. Company. It is a surety in respect of the loan granted the Provincial Fund for Environmental Protection and Water Management up to the amount of PLN 6 874 thousand. As of 31.12.2016 r. the loan amounts to PLN 4 559 thousand.

8. As of the balance sheet day, the Group have off-balance sheet contingent liabilities:
   - performance bonds concerning the production and installation of road safety barriers totalling PLN 20,633 thousand, and in respect of the guarantee for the blank promissory note covering PLN 13 000 thousand issued by the company STP Elbud Sp. z o.o. in order to secure the investment credit granted by Bank Pekao S.A.
   - guarantees and avals granted by ZGH „Bolesław" S.A. in the amount of PLN 1,731 thousand,
   - ZGH "Bolesław" S.A. issued a bill of exchange relating to the agreement concluded with National Center for Research and Development amounting to PLN 38.8 million (investment into a new wash-tubs hall) on subsidising the project within the "Intelligent Development" operational program (Agreement No POIR.01.01.02-00-0159/16-00).
9. There were no significant events relating to previous years included in the annual financial statements as at 31.12.2017, which distort the picture of the activities of the financial year 2017.

10. On 15 December 2017, an agreement was signed for the purchase of the shares of the GO Steel Frydek Mistek a.s. Company based in the Czech Republic from the ArcelorMittal S.A. Company based in Luxemburg. The final consideration, comprising a cash payment, contingent payment and payment ascribed to the signed trade contract, amounted to EUR 40 million. It was a conditional agreement and its coming into force was determined by official consents for business concentration to be obtained from the respective anti-monopoly offices in Austria, Turkey and Germany. On 16 February 2018, the Issuer obtained the last required consent from the anti-monopoly office in Turkey, whereby the pre-condition, suspending the agreement of purchase of the Go Steel Frydek Mistek a.s. company, was fulfilled. The transaction's conclusion date was 28 February 2018. The Go Steel Frydek Mistek a.s. Company will be subject to consolidation from 1 March 2018 onwards with the full consolidation method [equity method].

11. After 31.12.2017, in addition to the information contained in this report and the report of the Management Board, there were no other events not included in the financial statements for the year 2017, which could materially affect the situation in the Company and its future financial results.

12. The financial statements and comparable financial data, adjusted for inflation, are not presented because the cumulative average inflation rate over the last three years of operation has not reached 100%.

13. These financial statements of Stalprodukt S.A. Capital Group for 2017 was approved by the Management Board of the Company for publication on 25 April 2018.

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Łukasz Mentel
Member of the Management Board
– Financial Director

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Józef Ryszka
Member of the Management Board
– Marketing Director

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Piotr Janeczek
President of the Management Board – CEO