Stalprodukt S.A.

The Stalprodukt S.A. Capital Group

Consolidated Financial Report of Stalprodukt S.A. Capital Group for the accounting year 2018

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

Bochnia, April 2019

Selected financial data

SELECTED FINANCIAL DATA	thousand x PLN		thousand x EURO	
	2018	2017	2018	2017
I. Net sales of products, goods and materials	3 956 688	3 501 090	927 278	824 814
II. Operating profit (loss)	299 847	359 614	70 273	84 721
III. Profit (loss) before taxation	349 004	347 474	81 793	81 861
IV. Net profit (loss)	284 652	275 428	66 712	64 888
- attributable to shareholders of the parent company	270 288	254 452	63 345	59 946
- net profit attributed to non-controlling interests	14 364	20 976	3 367	4 942
V. Net cash flow from operating activities	349 888	431 518	82 001	101 660
VI. Net cash flow from investment activities	-336 582	-156 645	-78 882	-36 904
VII. Net cash flow from financial activities	-38 755	-63 015	-9 083	-14 845
VIII. Total net cash flow	-25 449	211 858	-5 964	49 911
IX. Total assets	4 357 371	3 937 757	1 013 342	944 102
X. Liabilities and provisions for liabilities	1 659 531	1 702 089	385 937	408 087
XI. Long-term liabilities	497 848	485 665	115 779	116 441
XII. Short-term liabilities	747 289	884 641	173 788	212 098
XIII. Shareholders' equity	2 699 840	2 235 668	627 870	536 016
- equity attributable to shareholders of the parent company	2 593 547	2 145 299	603 151	514 349
- equity attributed to non-controlling interests	106 293	90 369	24 719	21 667
XIV. Share capital	11 161	11 161	2 596	2 676
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)	51,01	49,36	11,95	11,63
XVII. Book value per share (PLN)	483,82	400,72	112,52	96,08
XVIII. Declared or paid-out dividend for one share in (PLN/EUR)	3,00	3,00	0,70	0,71

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 and CZK amounted to:
a) rate of exchange at end of 2018 and 2017, for EUR 4.3000 and 4.1709 respectively, for CZK 0.1673 as at 31.12.2018,
b) the average rate, calculated as the arithmetical average of the exchange rates valid on the last day of each month of the year 2018 and 2017, for EUR 4.2669 and 4.2447 respectively and for CZK 0.1663 for 2018,
c) the lowest rate for 2018 and 2017, for EUR 4.1423 and 4.1709 respectively and for CZK 0.1628 for 2018,
d) the highest rate in 2018 and 2017, for EUR 4.3978 and 4.4157 respectively for CZK 0.1690 for 2018.

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 31.12.2018 and amounting to 4.3000 and 4.1709 as at 31.12.2017 (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 4.2669 for the year 2018 and 4.2447 for the year 2017 (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 2018 in respect of 2017.

CONSOLIDATED BALANCE SHEET	Note	thousand x PLN		
		2018	2017	2017 retrospectively
Assets				
I. Fixed assets		**2 313 530**	**2 035 926**	**2 047 560**
1. Intangible assets, including:	1	171 373	141 505	139 818
- right of perpetual land use		80 344	82 000	80 312
2. Property, plant and equipment	2	1 968 406	1 768 000	1 776 530
3. Long-term receivables		630	536	536
4. Long-term investments	3	98 867	48 278	53 069
4.1. Real estate investments		7 675	3 296	8 087
4.2. Intangible and legal assets		-	-	-
4.3 Long-term financial assets		75 141	44 982	44 982
4.4. Investments in affiliated entities		16 051	-	-
4.5. Other long-term investments		-	-	-
5. Long-term accruals		74 254	77 607	77 607
5.1. Assets on account of deferred income tax	4	31 697	61 380	61 380
5.2. Other accruals		42 557	16 227	16 227
II. Current assets		**2 043 841**	**1 901 831**	**1 890 374**
1. Stocks	5	799 798	643 461	643 638
2. Short-term receivables	6	629 786	564 888	564 888
3. Short-term investments	7	596 005	666 844	666 844
3.1 Short-term financial assets		532 511	618 875	618 875
a) loans		20 000	50 000	50 000
b) short-term securities		39 925	70 838	70 838
c) monetary resources and their equivalents		472 586	498 037	498 037
3.2. Other short-term investments		63 494	47 969	47 969
4. Short-term accruals	8	18 252	26 638	15 004
Assets in total		**4 357 371**	**3 937 757**	**3 937 934**
Liabilities				
I. Equity		**2 699 840**	**2 235 668**	**2 225 413**
1. Equity assigned to the shareholders of the dominating entity		2 593 547	2 145 299	2 135 044
1.1. Share capital	9	11 161	11 161	11 161
1.2. Exchange differences		2 493		
1.3. Supplementary capital	11	561 927	490 963	490 963
1.4. Capital from revaluation	12	65 288	-126 978	-126 978
1.5. Other supplementary capitals	13	1 574 552	1 477 155	1 477 155
1.6. Profit (loss) from previous years		107 838	38 546	28 114
1.7. Profit (loss) net		270 288	254 452	254 629
2. Capital non-controlling interests	14	106 293	90 369	90 369
II. Liabilities and provisions for liabilities		**1 657 531**	**1 702 089**	**1 712 521**
1. Provisions for liabilities	15	381 328	313 769	324 201
1.1. Provision on account of deferred income tax		114 099	90 029	100 461
1.2. Other provisions		267 229	223 740	223 740
a) long-term		191 867	158 569	158 569

b) short-term		75 362	65 171	65 171
2. Long-term liabilities	16	497 848	485 665	485 665
2.1. Long-term credits and loans		150 839	101 738	101 738
2.2. Other long-term liabilities		50 894	87 812	87 812
2.3. Contingent liabilities due to the purchase of ZGH		296 115	296 115	296 115
3. Short-term liabilities	17	745 289	884 641	884 641
3.1. Short-term credits and loans		160 869	235 294	235 294
3.2. Short-term part of long-term credits and loans		20 000		
3.3. Liabilities for supplies and services provided		385 637	311 884	311 884
3.4. Liabilities on account of current income tax		24 036	20 809	20 809
3.5. Other short-term liabilities		154 747	316 654	316 654
4. Accrued liabilities	18	33 066	18 014	18 014
Liabilities in total		**4 357 371**	**3 937 757**	**3 937 934**

Book value		**2 699 840**	**2 236 127**	**2 225 413**
Number of shares (in items)		**5 580 267**	**5 580 267**	**5 580 267**
Book value for one share (in PLN)	19	**483,82**	**400,72**	**398,80**

CONSOLIDATED PROFIT AND LOSS ACCOUNT	Note	thousand x PLN		
		2018	2017	2017 retrospectively
I. Net revenue from sale of products, goods and materials, including:		**3 956 688**	**3 501 090**	**3 501 090**
1. Net revenue from sale of products	20	3 825 184	3 383 975	3 383 975
2. Net revenue from sale of goods and materials	21	131 504	117 115	117 115
II. Costs of sold products, goods and materials, including:		**3 407 588**	**2 943 596**	**2 943 419**
1. Cost of manufacture of sold products	22	3 294 137	2 841 517	2 841 340
2. Value of sold goods and materials		113 451	102 079	102 079
III. Profit (loss) gross on sales		**549 100**	**557 494**	**557 671**
IV. Costs of sales		80 276	70 774	70 774
V. General administrative costs		156 999	140 216	140 216
VI. Profit (loss) on sales		**311 825**	**346 504**	**346 681**
VII. Other operational revenue	23	28 164	34 859	34 859
VIII. Other operational costs	24	40 142	21 749	21 749
IX. Profit (loss) from operational activity		**299 847**	**359 614**	**359 791**
X. Financial revenue	25	69 136	28 784	28 784
XI. Financial costs	26	20 007	40 924	40 924
XII. Profit from stakes in associated entities		28		
XIII. Profit (loss) gross		**349 004**	**347 474**	**347 651**
XIV. Income tax	27	64 352	72 046	72 046
XVI. Profit (loss) net, including:	28	**284 652**	**275 428**	**275 605**
1. Attributable to shareholders of the parent company		270 288	254 452	254 629
2. Attributed to non-controlling interests		14 364	20 976	20 976

Profit net		**284 652**	**275 428**	**275 605**
Weighted average number of ordinary shares		**5 580 267**	**5 580 267**	**5 580 267**
The weighted average number of ordinary shares adjusted against own shares		**5 580 267**	**5 580 267**	**5 580 267**
Profit (loss) for one ordinary share (in PLN)	29	**51,01**	**49,36**	**49,39**

TOTAL COMPREHENSIVE CONSOLIDATED INCOME	thousand x PLN			
	Note	2018	2017	2017 retrospectively
Net result		284 652	275 428	275 605
Valuation differences				
The effective part of the cash flow hedging in accordance with IFRS 9		192 266		
Total Comprehensive Income		**476 918**	**275 428**	**275 605**
Total Comprehensive Income attributable to the parent company shareholders		452 834	254 452	254 629
Total Comprehensive Income attributable to non-controlling interests		24 084	20 976	20 976

Statement of changes in equity for the period from 1st January to 31st December 2018 and 2017	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 01.01.2018 (opening balance)	**11 161**		**490 963**	**-126 978**	**1 477 155**	**292 998**		**90 369**	**2 235 668**
Profit distribution			74 707		81 522	-156 229			0
Intercapital and consolidation transfer		2 493	-3 743		15 875	-4 486		1 560	11 699
Dividend and royalties						-24 445			-24 445
Total comprehensive income for period 1.01 - 31.12.2018, including:				192 266			270 288	14 364	476 918
Valuation of hedging transactions				*192 266*					*192 266*
Balance on this 31.12.2018 (closing balance)	**11 161**	**2 493**	**561 927**	**65 288**	**1 574 552**	**107 838**	**270 288**	**106 293**	**2 699 840**
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
Total comprehensive income for period 1.01 - 31.12.2017							254 452	20 976	275 428
Valuation of hedging transactions				42 882					42 882
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**
As of 01.01.2017 (Beginning of Period) retrospectively	**11 161**		**383 479**	**-169 860**	**1 376 022**	**255 380**		**80 572**	**1 936 754**
Adjustment of the result from previous years						-10 432			-10 432
As of beginning of period after adjustments	**11 161**		**383 479**	**-169 860**	**1 376 022**	**244 948**		**80 572**	**1 926 322**
Profit distribution			96 487		97 099	-193 586			0
Intercapital and consolidation transfer			10 997		4 034	-1 074		-11 179	2 778
Dividend						-22 174			-22 174
Total comprehensive income for period 1.01 - 31.12.2017							254 629	20 976	275 605
Valuation of hedging transactions				42 882					42 882
As of 31.12.2017 (End of Period) retrospectively	**11 161**		**490 963**	**-126 978**	**1 477 155**	**28 114**	**254 629**	**90 369**	**2 225 413**

CONSOLIDATED CASH FLOW ACCOUNT	thousand x PLN		
	2018	2017	2017 retrospectively
Profit before taxation	**349 004**		**347 651**
Tax paid	**-55 378**		**-58 499**
A. Cash flow from operational activity - indirect method			
I. Profit (loss) net		**275 428**	
- income tax paid			
II. Adjustments in total	**56 262**	**156 090**	**142 366**
1. Share in (profit) loss net of the subordinate entities valuated with equity method			
2. Depreciation	149 025	137 488	137 488
3. Profit (loss) on account of differences in rates	-391	498	498
4. Interest and shares in profit (dividend)	11 560	7 463	7 463
5. Profit (loss) from investment activity	8 419	-5 555	-5 555
6. Change of provisions level	67 013	-12 041	-16 454
7. Change of stock level	-156 336	-38 879	-39 056
8. Change of receivables level	-64 898	22 663	22 663
9. Change of short-term liabilities level, except for loans and credits	18 853	-55 190	-55 190
10. Change of accruals level	26 791	17 624	17 624
11. Other adjustments	4 653	82 019	82 019
12. Adjustment due to deferred income tax	-8 427		-9 134
III. Cash flow net from operational activity	**349 888**	**431 518**	**431 518**
B. Cash flow from investment activity	**-336 582**	**-156 645**	**-156 645**
I. Revenue	**147 044**	**57 646**	57 646
1. Sale of intangible and legal assets and property, plant and equipment	956	737	737
2. Sale of investments in real estates and intangible and legal assets			
3 From financial assets, including:	146 108	56 909	56 909
- financial assets sold	114 837	44 845	44 845
- dividends and profit share received		2	2
- repayment of long-term loans	20 000		
- interest received	1 771	2 062	2 062
- other inflows from financial assets	9 500	10 000	10 000
4 . Other investment inflows			
II. Expenses	**-483 626**	**-214 291**	**-214 291**
1. Acquisition of intangible and legal assets and property, plant and equipment	-243 261	-136 025	-136 025
2. Investments in real estates and intangible and legal assets			
3 For financial assets, including:	-239 946	-78 266	-78 266
- financial assets purchased	-239 946	-78 266	-78 266
- long-term loans granted			
4. Other investment expenses	-419		
III. Cash flow net from investment activity	**-336 582**	**-156 645**	**-156 645**

C. Cash flow from financial activity	**-38 755**	**-63 015**	**-63 015**
I. Revenue	97 318	41 029	41 029
1. Net revenue from the issuance of shares and other capital instruments and additional equity contributions			
2. Credits and loans	97 318	41 023	41 023
3. Issuance of debt securities			
4. Other financial revenue	0	6	6
II. Expenses	-136 073	-104 044	-104 044
1. Acquisition of treasury shares			
2. Dividend and other payments for the holders	-24 460	-24 382	-24 382
3. Other, than the payments for holders, expenses on account of the allocation of profit			
4. Payment of credits and loans	-95 910	-58 999	-58 999
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	-2 671	-2 749	-2 749
8. Interests	-13 032	-10 158	-10 158
9. Other financial expenses	0	-1 022	-1 022
III. Cash flow net from financial activity	**-38 755**	**-63 015**	**-63 015**
D. Net cash flow, total	**-25 449**	**211 858**	**211 858**
E. Balance sheet change in cash, including:	**-25 449**	**211 858**	**211 858**
- change in cash due to exchange rates fluctuations			
F. Cash (beginning of period)	**498 037**	**286 179**	**286 179**
G. Cash (end of period), including:	**472 586**	**498 037**	**498 037**
- of limited access and disposal	1 622		

Cash at beginning of the reporting period represent the amount of PLN 498,037 thousand, including cash at hand PLN 295 thousand, on bank accounts PLN 497,742 thousand and at the end of the reporting period PLN 472,586 thousand, including PLN 227 thousand cash at hand and PLN 472,359 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. The difference in the changes in the status of prepayments arises from the transfer of complete renovations to tangible assets. The difference in the change in the status of provisions includes the provision for the purchase of GO Steel Frydek Mistek a.s.

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 2018, and comparable financial data for the year 2017.

Composition of Management Board's and Supervisory Board

In the period from 01 January 2018 to 31 December 2018, 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 2018 to 31 December 2018, 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

Polscy Biegli Sp. z o.o.

Ul. Bema 87 lok U3

01-233 Warszawa

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.

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	share-holding of the parent company
1.	Stalprodukt-MB sp. z o.o.	Bochnia	construction and maintenance of roads and highways	subsidiary	full consolidation	17.10.1997	100.00	100.00	100.00
2.	Stalprodukt-Wamech sp. z o.o.	Bochnia	production of spare parts and repair services	subsidiary	full consolidation	05.12.1997	100.00	100.00	100.00
3.	Stalprodukt-Centrostal sp. z o.o.	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997	100.00	100.00	100.00
4.	Stalprodukt-Serwis sp. z o.o.	Bochnia	services of installation, repair and maintenance of machinery	subsidiary	full consolidation	29.12.1998	100.00	100.00	100.00
5.	Stalprodukt-Zamość sp. z o.o.	Zamość	woodwork production and trade of metallurgical products	subsidiary	full consolidation	09.12.1997	100.00	100.00	100.00
6.	Stalprodukt-Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000	100.00	100.00	100.00
7.	STP Elbud sp. z o.o.	Kraków	manufacture of structures and galvanizing services	subsidiary	full consolidation	01.06.2005	100.00	100.00	100.00

8.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008	100.00	100.00	100.00
9.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	100.00	100.00	100.00
10.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	94.92	94.92	94.92
11.	Go Steel Frydek Mistek a.s.	Frydek-Mistek	production of electrical transformer sheets	subsidiary	full consolidation	01.03.2018	100.00	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	94.92
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	94.92
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	88.07
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	94.55
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	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	100.00	100.00	94.92
18.	F&R Finance Sp. z o.o.	Myślenice, Jawornik	financial activity	shares held by ZGH "Bolesław" S.A. /personal links	not applicable	not applicable	19.68	19.68	18.68
19.	Stalprodukt-Profil S.A.	Bochnia	trade of metallurgical products	shares held by Stalprodukt S.A./personal links	not applicable	not applicable	16.00	16.00	16.00
20.	StalNet Sp. z o.o.	Kraków	Internet commerce	shares held by Stalprodukt S.A./personal links	by means of equity method	31.01.2018	28.00	28.00	28.00
21.	STP Investment S.A.	Bochnia	financial activity	personal	not applicable	not applicable	0.00	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 2018, item. 395, 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 2018, item 395, as amended) and in accordance with the requirements specified in the Regulation of the Minister of Finance dated 29 March 2018 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 2018, item 757, as amended). 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. An exception is the Czech company for which the Czech crown is the functional currency. This Polish zloty 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.

Compliance with International Financial Reporting Standards

Since 1 January 2005 Stalprodukt S.A., as the issuer of securities admitted to public trading, in accordance with the Accounting Act of 29 September 1994 (full text in the Polish Journal of Laws 2018, item 395 as amended) and based on the resolution of the General Meeting of Shareholders of 30 June 2005, has been preparing separate financial statement in accordance with the IFRS adopted by the European Union and related interpretations published in the form of regulations of the European Commission. The Company applied IFRS 1 "First Adoption of International Financial Reporting Standards" in its annual financial statement for the year that ended on 31 December 2005. The implementation date of the International Financial Reporting Standards was 1 January 2004. These financial statements have been prepared in all material respects in accordance with the IFRS; and to the extent not regulated by the above standards, in accordance with the requirements of the Accounting Act of 29 September 1994 (the Polish Journal of Laws of 2018, item 395 as amended) and the requirements set out in the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognising as equivalent information required by laws of a non-member state (the Polish Journal of Laws of 2018, item 757 as amended). The presented financial statement and comparable financial data take into account the recommendations of the entity authorised to audit.

Assumption of continued business activity

The statement has been prepared on the assumption that the Issuer's and the Group entities' business activities will continue, and no circumstances indicate a threat to the continuation of such activities. As at the date of signing the financial statement, the Company's Management Board is not aware of any facts or circumstances that would indicate a threat to continue the business activity by the Issuer in the period of 12 months after the balance sheet date.

Functional currency and presentation currency

The functional currency and the basic currency of the economic environment in which the Capital Group entities operate is the Polish zloty. The exception is the Czech company for which the functional currency is the Czech koruna. The Polish zloty is the presentation currency in the financial statement.

Consolidation method

At the level of the parent company, all the companies in the capital group are subject to full consolidation, with the exception of StalNet sp. z o.o. which is consolidated using the equity method.

Hedge accounting method

The analysis of risks and benefits related to the adoption of hedge accounting solutions introduced by IFRS 9 financial instruments in the context of the characteristics of the portfolio of financial instruments in the Capital Group made it possible to decide that hedge accounting should remain in line with IAS 39 "Financial Instruments". The application of IFRS 9 in the part concerning hedge accounting is not expected to have a significant impact on the financial statement of the Group in relation to the concluded transactions. At the same time, the Capital Group monitors the work carried out by the International Accounting Standards Board, including in relation to the date of mandatory application of its provisions relating to the area of hedge accounting.

Hedge accounting shall be used only if the following requirements are met:
- formal documentation has been prepared before the commencement of hedge accounting,

- the planned transaction is highly probable and its characteristics indicate that it is threatened by changes in cash flows that may affect the Group's financial result,
- the effectiveness of the hedge can be reliably measured on the basis of the reliably determined fair value of the hedged item or cash flows related to it and the fair value of the hedging instrument,
- in the reporting period, hedge effectiveness is measured on an ongoing basis and remains at a high level, and does not differ materially from the assumptions adopted in the documented risk management strategy.

The effectiveness measurement consists in comparing changes in the fair value of the hedging instrument with changes in the value of the hedged item. A relationship is considered effective if the ratio of these two quantities (E) is in the range of 80-125%. The revaluation reserve and adjustment of sales revenues includes an amount not greater than 100% of the change in the fair value of the hedged item. The remainder (if effectiveness is within the range of 100-125%) is recognized as financial revenue or expenses. In case of ineffectiveness of the relationship (E<80% or E>125%), the transaction is reclassified to the category of held-for-trading. For Asian option transactions (clearing to the monthly average price/per rate), effectiveness is measured against the intrinsic value. The time value of hedging options is treated as an instrument held for trading and recognized on an ongoing basis in the profit and loss account.

Derivatives that do not meet the above requirements are classified as financial instruments held for trading.

3. Accounting principles (policy) applied

From 1 January 2005 the Company applies the accounting principles (policy), including the methods of valuation of assets and liabilities, as well as revenue and expenses, determining the financial result and preparing financial statements, in accordance with the IFRS, adopted by the European Union, and in cases not regulated by the IFRS, based on the Accounting Act.

On 27 December 2018, the accounting principles (policy) of the parent company were updated to take account of the change in the valuation of stock and to the extent related to the adaptation to the new version of IFS 9, including the description of system parameters, methods of securing access to data and their processing, as well as algorithms and sets of books on media. In the Company's opinion, apart from the change concerning the valuation of stock, the remaining elements will not have a significant impact on the property and financial situation, liquidity and financial result of the Company and the Capital Group.

For a clear and complete understanding of this financial statement, we present below the basic principles for the valuation of assets and liabilities, calculation of the financial result and other accounting principles adopted by the Parent company.

Fixed assets

a) As at the date of implementing the IAS, in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards", the Company adopted the valuation of property, plant and equipment used so far at fair value and decided to use this value as the expected (alleged) cost as at that date. The revaluation was carried out by the company itself with the participation of technical services, based on its own technical and market knowledge, taking into account the previous period of use of the assets, their degree of wear and tear, improvements made, modernisation and repairs. The following useful lives and depreciation rates were adopted for property, plant and equipment used by the Company before the date of the IAS for property, plant and equipment: buildings 20 years (5%), structures 10 years (10%), boilers 5 years (20%), general-purpose machinery and equipment 5 years (20%), metallurgical machinery and equipment 10 years (10%) and other technical equipment 5 years (20%).
The difference (surplus) on account of initial revaluation (revaluation) was recognized in equity as retained profit,

b) items of property, plant and equipment qualifying for recognition as an asset, initially (at the time of taking over for use) are estimated at purchase price or production cost. The initial value of property, plant and equipment includes their purchase price or production cost plus all costs directly attributable to the purchase and adaptation of the asset to its usable condition. The initial value of fixed assets is increased by the amount of expenditure incurred for their improvement (alteration, extension, reconstruction, modernisation),

c) after initial recognition as an asset, an item of property, plant and equipment is carried in the balance sheet according to the cost model, i.e. the cost of acquisition or production less the amount of accumulated depreciation and any accumulated impairment losses. The reduction in depreciation does not apply to land and the right of perpetual usufruct of land, in relation to which no depreciation write-offs are made,

d) each part of an item of property, plant and equipment with a cost that is significant in relation to the cost of the item as a whole and the useful life of that part that is significantly different from the expected useful life of the item as a whole shall be depreciated separately,

e) fixed assets with a unit initial value of up to PLN 10 000 are written off as costs at the moment they are taken into operation,

f) other fixed assets or their separate and significant components are depreciated using the straight-line method on the basis of rates estimated on the basis of their expected useful life, taking into account their residual value, if it is a significant amount. Residual value is the estimated amount an entity would obtain from disposal of an asset after deducting the estimated costs of disposal if the assets were of the age and condition expected to exist after the end of its useful life. No significant residual values have been recognized for the fixed assets used so far. With regard to new investments in machinery and equipment, the Company adopts the period of their economic usefulness of 10 – 20 years.

Depreciation rates are subject to annual verification of their compliance with the economic useful life of fixed assets.

Their residual values, if any, are also subject to verification,

g) fixed assets under construction are valued at the total costs arising directly from their acquisition or production, less impairment losses, if any. Fixed assets under construction are not depreciated until their construction is finished and they are delivered for use,

h) costs of overhauls of fixed assets are capitalised and depreciated in periods equal to the overhauls cycles. Costs of current maintenance of fixed assets and their maintenance affect the financial result of the period in which they were incurred,

i) intangible assets are recognized if they are identifiable, controlled and it is probable that in the future they will result in an inflow of economic benefits to the Company that may be directly related to such assets. An intangible asset is initially measured at cost (of acquisition or production). Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction. The general principles for determining initial cost are similar to those for other assets (property, plant and equipment, stock). Intangible assets are carried in the balance sheet at cost less depreciation and accumulated impairment losses (the historical cost model). They are depreciated on a straight-line basis over their useful lives, which should be determined reliably. Intangible assets with an indefinite useful life are not amortised, but tested for impairment. As at the balance sheet date, the useful life of intangible assets is subject to verification,

j) In case of occurrence of premises indicating the possibility of loss of value of owned components of tangible fixed assets and intangible assets, a test for loss of value will be conducted, and the established amounts of revaluation write-offs will decrease the balance sheet value of the asset to which they refer and will be included in the profit and loss account. The amount of revaluation write-downs is determined as the surplus of the balance sheet value of these components over their recoverable value. Recoverable value corresponds to the higher of the following value: net selling price or value in use measured by the generated cash flows of a given asset or cash-generating unit, discounted to its present value using a discount rate reflecting current market prices, the time value of money and the risk related to the given asset.

The amounts of recognized revaluation write-downs are reversed if the reasons for their creation have ceased to exist. The effects of reversal of write-downs are recognized in the profit and loss account as other operating income,

k) loans and long-term receivables are measured at adjusted acquisition cost (amortised cost) using the effective interest rate method, while observing the materiality principle.

Realised profit and loss arising from changes in their value are recognized in the profit and loss account in the period in which they arise,

l) investment properties are valued as fixed assets according to the cost model, ie purchase price or production cost, reduced by the amount of accumulated depreciation (depreciation) and accumulated impairment write-offs,

ł) long-term financial assets in related parties (shares, stocks) are measured at cost less impairment losses,

m) tangible assets used on the basis of financial leasing contracts, which transfer to the beneficiary basically all benefits and risks associated with the possession of assets, are shown in the balance sheet in accordance with the cost model, as are all assets of the tangible assets. Lease charges are divided between financial expenses and reduction of outstanding liability. Financial charges are recorded directly in the profit and loss account. Fixed assets used on the basis of a financial lease contract are amortized during their useful life. Lease agreements in which all risks and profits are retained by the lessor are qualified as operational lease contract. The costs of leasing fees is charged on a linear basis to profit and loss account throughout the effective term of the contract,

n) in accordance with IFRS No. 3, the negative goodwill of a company at the time of its formation is written off once into revenues. Negative goodwill which occurred before the date of transition to the IAS was removed from the balance sheet and written off in full into the undivided result from previous years, thus increasing equity. The negative goodwill that arose after 1 January 2004 is directly charged to the profit and loss account (increase of the financial result).

Current assets

The stock – is valued according to actual purchase prices or production costs, not higher than their net realisation value (net selling prices). The net realisation value is the estimated selling price in the ordinary course of business, less the estimated costs of completing the stock components and the costs necessary to make the sale, including materials, work in progress, semi-finished products, finished products and goods.

The value of stock sale is measured at the weighted average cost
The cost of finished products and work in progress includes the cost of direct materials, labour and other costs, as well as an appropriate margin for indirect production costs determined on the basis of normal production capacity utilisation, excluding borrowing costs.
The following are not classified as manufacturing costs:

- costs resulting from unused manufacturing capacity and manufacturing losses,
- administrative costs not related to bringing the product to the form and location as at the valuation date.

Any write-downs of stock to the net realisable value and any losses in stock are recognized as operating expenses in the period in which the write-down or loss occurred. If the circumstances that caused the decrease in the value of stock cease to exist or if there is clear evidence of an increase in the value of net realisable value, the amount of the previously made write-down is restored (reversal of the write-off). The amount corresponding to the recovery of stock due to an increase in the net realisable value shall be recognized as a reduction in the cost of stock recognized in the profit and loss account during the period in which the recovery occurs.

The Company keeps records of the quantity and value of materials. It is allowed to write off materials in the costs of purchase without any quantitative and value records, provided that the materials are delivered for use immediately after their purchase.

Spare parts for machinery and equipment with an expected service life (of over one year) are presented in the balance sheet under item tangible fixed assets,

a) receivables and short-term trade claims – are recognized according to the amounts initially invoiced, taking into account write-offs for bad debts, charged to other operating costs.

Receivables denominated in foreign currencies are measured at the balance sheet date at the closing rate at that date, while transactions in foreign currencies are measured at the spot exchange rate at the transaction date. Foreign exchange differences resulting from the valuation are recognized in the profit and loss account of the period in which they arise (financial revenue/costs).

In accordance with the adopted accounting principles (policy), impairment losses are created for the following

- domestic receivables not paid within 6 months and export receivables over 9 months,
- disputed receivables and receivables relating to liquidation and bankruptcy proceedings, as well as composition and settlement proceedings,
- interest on receivables, accrued but not paid.

b) cash and cash equivalents recognized in the balance sheet comprise cash at bank and in hand, short-term deposits and other highly liquid instruments. They are valued at their nominal value. Cash and cash equivalents expressed in foreign currencies are valued at the balance sheet date at the closing rate, which is the spot exchange exposure. The resulting foreign exchange differences are recognized as financial income or expenses.

Liabilities

1.1. Equity capital comprises: share capital, supplementary capital, reserve capital, revaluation reserve, undistributed profit/loss from previous years and current period result. All capitals are valued at their nominal value. The value of own shares is deducted from equity.

<u>The share capital</u> is presented in the amount specified in the contract and articles of association and entered in the court register. Declared but not unrealised capital

contributions are included as contributions to capital due. The share capital represents ordinary bearer shares and named preference shares.

The supplementary capital is created in the company on a mandatory (statutory) basis and is to be used to cover a possible lack of share capital. According to the Commercial Companies Code, a company must allocate to reserve capital at least 8% of its annual net profit until such time as this capital does not reach 1/3 of the share capital.

The supplementary capital shall be increased by surpluses at the issue of shares above their nominal value and by revaluation differences of fixed assets that have been liquidated or sold. Additionally, the supplementary capital was increased in 2005 due to revaluation of fixed assets to fair value as at the date of transition to the IFRS, as retained earnings.

The remaining reserve capitals are created from profit, the division of which is decided by the General Meeting of Shareholders. These capitals are used to finance investments and working capital and to cover potential losses. The use of these capitals is decided by the General Meeting of Shareholders. A separate item of liabilities in the consolidated financial statements shows minority capital, constituting shares in the equity of subsidiaries, belonging to entities other than those covered by consolidation.

1.2. Bank credits, loans and other financial liabilities (lease) – are measured at amortised cost (adjusted purchase price) using the effective interest rate method, while observing the materiality principle. Interest expense is allocated to appropriate periods and recognized in the profit and loss account.

1.3. Short-term trade liabilities are recognized according to the amounts initially invoiced. Liabilities expressed in foreign currencies are measured at the spot exchange rate, which is the closing rate as at the balance sheet date. Foreign exchange differences arising as a result of valuation are charged to financial revenue or expenses in the profit and loss account.

1.4. Provisions are created if there is:

- a liability (legal or constructive) at the balance sheet date arising from past events,
- the probability of necessity to spend money,
- the possibility of making a reliable estimate.

In accordance with the adopted accounting principles (policy), the Group creates provisions for:

- a temporary difference in income tax expense due to the difference during the recognition of income as earned or expense as incurred under the balance sheet and tax laws and regulations,
- employee benefits (retirement severance pay),
- other provisions for expected or probable losses from business operations, which have a significant impact on the financial result, while observing the materiality principle.

Provisions for income tax are created using the balance sheet liabilities method in relation to all temporary differences occurring as at the balance sheet date between the tax value of assets and liabilities and their balance sheet value disclosed in the financial statements. Deferred tax liabilities are recognized in respect of taxable temporary differences and deferred tax assets are recognized in respect of taxable temporary differences.
Balance sheet value of assets under deferred income tax is reviewed per each balance sheet date and will be reduced accordingly, as much as it has ceased to be likely to achieve taxable income sufficient to partially or totally execute component of assets under deferred income tax.
The difference between the balance of deferred tax liabilities and deferred tax assets at the end and beginning of the reporting period affects the financial result or equity, if the provisions and assets relate to operations settled directly with equity.

Retirement bonus is determined using the actuarial method and its amount depends on the current period of employment, which determines the degree of benefit generation, as well as the employment turnover rate, probability of payment and discount rate. Provisions for employee benefits are settled as at the balance sheet date ending the financial year.

1.5. Prepayments and accruals

The Company recognizes prepayments if the costs incurred relate to future reporting periods. Accruals are recognized at the amount of probable liabilities relating to the current reporting period.

Profit and loss account

1. Revenues from sales include the fair value of revenues from the sale of products, goods and services less the value added tax.
Revenue is recognized in two material categories:
   - sales of products (including services),
   - sales of goods and materials.

Revenue is recognized in the amount in which it is probable that the Company will obtain economic benefits related to a given transaction and when the amount of revenue can be reliably valuated.

2. In accordance with IFRS No. 15, revenues are recognized when a customer obtains control over a good or service. The customer obtains such control when they have the ability to control the use of the good or services and obtain benefits from them.
3. An entity recognizes a contract with the customer covered by this standard only if all of the following criteria are met:

a) the parties have entered into the contract (in writing or verbal form or in accordance with other customary commercial practice) and are obliged to perform their liabilities;
b) the entity is able to identify the rights of each party regarding the goods or services to be transferred;
c) the entity is able to identify the payment terms and conditions for goods or services to be transferred;
d) the contract has commercial substance (i.e. it can be expected that as a result of the agreement the risk, schedule or amount of future cash flows of the entity will change); and
e) it is probable that the entity will receive a remuneration which it will be entitled to in exchange for goods or services that will be transferred to the customer.

4. Costs of sold products and services, goods and materials include costs directly related to their production or purchase.
Cost of goods and services is presented in two basic categories:

- manufacturing costs of the products sold (including services),
- costs of the goods and materials sold.

Selling expenses include trade costs, representation and advertising costs.
Administrative expenses include the costs of managing the entity and the costs of administration and representation.

5. The financial result is also influenced by:

- other revenues and operating costs indirectly related to the activity
including gains and losses on disposal of non-financial fixed assets, revaluation of non-financial assets, creation and release of provisions for future risk, penalties, fines and damages, receipt or transfer of donations,
- financial income due to dividends (shares in profits), interest, gains on disposal of investments, revaluation of investments, surplus of positive foreign exchange differences over negative ones,
- financial cost due to interest, gains on disposal of investments, revaluation of investments, surplus of negative foreign exchange differences over positive ones,
- mandatory charges of the financial result under corporate income tax.

6. Interest income, accrued on an accrual principle, is subject to a write-off (provision) in its full amount, applying the prudence concept. In the profit and loss account, interest received on a cash basis shall be recognized.

7. Operating expenses are recognized in the period to which they relate.
Borrowing costs directly related to the acquisition or production of property components requiring a longer period of time to be fit for use or resale are added to the costs of production of such their fixed assets, until the moment of putting these fixed assets to use.

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

8. Income tax reported in the profit and loss account includes a current and a deferred part. Current tax is a tax liability on account of taxation of income for a given financial year, determined using tax rates effective as at the balance sheet date and tax adjustments relating to previous years.

9. The principle of grouping costs by type in the accounts of group 4 was adopted and settling them by type of activity in the accounts of group 5. The Company applies and presents in the report the multiple-step variant of the profit and loss account.

Professional judgement, estimates and assumptions

The preparation of financial statements in accordance with the IFRS requires the Management Board to exercise professional judgement, estimates and assumptions that affect the adopted principles and the presented values of assets, liabilities, revenue and expenses. Estimates and related assumptions are based on historical experience and other factors that are considered reasonable under given circumstances, and their results provide a basis for professional judgement as to the carrying amount of assets and liabilities that does not directly result from other sources. The actual value may differ from the estimated value. Estimates and related assumptions are subject to ongoing verification. Changes in accounting estimates are recognized in the period in which they are made.
The main assumptions and estimates in the process of applying the accounting principles (policy) concerning the balance sheet figures are as follows:
a) impairment losses,
b) write offs on the stock,
c) provisions for retiring allowances,
d) deferred income tax assets and deferred income tax provisions,
e) the depreciation periods of fixed assets.
The entities analysed the estimates and their changes as at the balance sheet date.

Principles of preparation of consolidated financial statement

a/ the consolidated financial statement and comparable consolidated data was fully consolidated in the following manner:

- the consolidated balance sheet has been prepared by aggregating all asset and liability items of the consolidated entities and eliminating related to mutual settlements, retained earnings in stock and the value of shares in subsidiaries in connection with their share capitals,

- the consolidated profit and loss account and the statement of comprehensive income were prepared by aggregating all items of revenue and expenses for the reporting period of consolidated entities and excluding turnover from mutual transactions and profits retained in inventories,

- the statement of changes in equity has been prepared by aggregating all items of changes in equity of consolidated companies relating to transactions with owners and excluding mutual transactions,

- the consolidated statement of cash flows has been prepared by aggregating all items of the accounts for the reporting period and excluding them from the consolidation procedures of the balance sheet and the profit and loss account.

b/ the consolidated net result comprises the net result of the parent company, the net result of subsidiaries in the part in which the parent company owns these entities and the share in profits in associates in the part in which the parent company owns the associate.

The consolidated net result includes:

- profit/loss on business activity, also under other operating revenues and operating costs,
- result on financial operations,
- write-off of subsidiaries goodwill,
- mandatory charges of the financial result under corporate income tax,
- share in net profits (losses) of subsidiaries measured by the equity method,
- profit (loss) of minority.

4. Changes to the applied accounting principles (policy)

The accounting principles applied in order to prepare this financial statement are consistent with those used in the preparation of the entity's financial statement for the year ended on 31 December 2017, except for the following amendments to standards and new interpretations published by the International Accounting Standards Board, approved by the EU and applicable for annual periods beginning on or after 1 January 2018:

- IFRS 9 "Financial Instruments" – valid with regard to annual periods beginning on or after 1 January 2018

In the Company's opinion, the implementation of IFRS 9 did not have a material impact on the financial statement. Trade receivables are maintained in order to obtain cash flows. The Company and entities from the capital group do not sell receivables and at the same time do not use factoring services. The qualification test was presented in item 7 of *the Additional Information*, and the write-off due to receivables of 31 December 2018 would amount to

PLN 96 thousand. Therefore, the impact of IFRS 9 on the level of write-offs was considered to be irrelevant.

The Company did not grant loans to the entities other than the companies related to the Capital Group. As at the balance sheet date, the total outstanding amount of loans granted to other entities was PLN 20 000. The obligations imposed by agreements on borrowers are fulfilled and maintained by them on an ongoing basis with regard to the repayment of capital instalments and interest. Taking into account the profile of the borrower and current and past experience

with regard to loan servicing, the risk of credit losses is minimal in the Company's opinion, and the SPII test showed a write-off in the amount of PLN 93 thousand.

1 January 2018	Category in accordance with IAS 39	Category in accordance with IFRS 9	Balance sheet value according to IAS 39 *thousand x PLN*	Balance sheet value according to IFRS 9 *thousand x PLN*
Long-term financial assets	fair value by financial result	fair value by financial result	44 982	44 982
- Shares	*fair value by financial result*	*fair value by financial result*	*7 296*	*7 296*
(Net) trade receivables	loans and receivables	amortized cost	465 773	465 773
Loans	loans and receivables	amortized cost	50 000	50 000
Other receivables (excluding civil law)	loans and receivables	amortized cost	28 389	28 389
Cash and cash equivalents	loans and receivables	fair value by financial result	498 037	498 037
Total finance assets			**1 057 181**	**1 057 181**
Trade liabilities	amortized cost	amortized cost	311 884	311 884
Liabilities due to credits, loans	amortized cost	amortized cost	337 032	337 032
Financial liabilities in total			**648 916**	**648 916**

- IFRS 15 "Revenues from Contracts with Customers" and later amendments – valid with regard to annual periods beginning on or after 1 January 2018.

  Taking into account the types of commercial transactions and the commercial policy pursued by the Company and its subsidiaries, the application of this standard does not have a material impact on the consolidated financial statements of the Group. The Company mainly executes the revenues from the sale of electrotechnical steel sheets, cold rolled profiles and zinc, lead and silver on the basis of contracts and orders based on international trade rules of INCOTERMS. The moment of transferring control to the customer takes place after delivering goods and ending the service. This moment is strictly specified in trading terms and conditions of contracts and orders.

  When preparing this financial statement, the entity complied with the standards, which were published by the IASB and approved for use in the EU, however, due to the current trade policy and risk management policy, both standards did not have a material impact on the financial statement. The above standards and amendments to standards have been included in the entity's accounting policy.

- In addition, changes were made in the accounting policy related to the valuation and the method of determining the costs of the inventory. From 1 January 2018, the company applies the method of weighted average cost in place of the first in, first out (FIFO) method. This change is caused by the implementation of the new version of the IFS 9 IT system, full use of a production module with the introduction of a full system for recording production orders. In the Company's opinion, this change to the rules of preparing the statement will contain reliable data and more useful information on the impact of the transaction on the financial situation and financial results through more effective supply chain management and production process. In order to make a comparison in the financial statement, a retrospective presentation of the results for 2017 was made with the inclusion of a new way of settling the cost of the inventory. The table below presents the impact of the change in accounting policy in this respect on the comparative data (thousand x PLN):

As on	cost price	Net profit	carrying amount of the stock	Equity capital
31.12.2017	-177	177	177	177

In the case of companies from the capital group, the conversion of the change in the method of stock valuation showed a negligible value.

- As part of the balance sheet work, the deferred tax was adjusted. The deferred tax liability, erroneously released in the years 2005-2009, was corrected. The difference was recognized in the result from previous years. The value of the adjustment is PLN 10 432 thousand.
- In the parent company, the recognition of overhauls was changed. The complete renovations in the amount of PLN 14 966 thousand were presented in fixed assets.
- Stalprodukt-Centrostal Kraków Sp. z o.o. changed the presentation of fixed assets in the amount of PLN 4 792 thousand which were transferred to investment property.
- ANEW Institute Sp. z o.o. changed its presentation in the statement of cash flows. Decrease in investment expenditures and prepayments as non-monetary by PLN 910 thousand.

In addition to the above-mentioned new standards, other changes do not apply to the operations of the Company or will not affect the financial statement.
Standards approved by the International Accounting Standards Board for application after 1 January 2018:

- IFRS 2 "Share-based Payments" – classification and valuation of share-based transactions – applicable – for annual periods beginning on or after 1 January 2018
- IFRS 4: application of IFRS 9 "Financial Instruments" together with IFRS 4 "Insurance Contracts" – with reference to annual periods beginning on or after 1 January 2018.

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

- Interpretation of IFRIC 23 regarding uncertainty as to the income tax recognition effective for annual periods beginning on or after 1 January 2019,

- Amendments to IFRS 9 "Financial Instruments" – regarding early repayment with negative remuneration in relation to annual periods beginning on or after 1 January 2019,
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" regarding the valuation of long-term investments in relation to annual periods beginning on or after 1 January 2019.
- Amendments to IAS 40 "Investment Property" – regarding the reclassification of investment properties,
- Interpretation of IFRIC 22 "Transactions in foreign currencies and prepayments" – regarding transactions in foreign currency and prepayments,
- The annual programme of amendments 2014-2016 regarding IFRS 1 "First-time Adoption of International Financial Reporting Standards"; IAS 28 "Investments in Associates and Joint Ventures"

  The entity decided not to take advantage of the possibility of earlier application of the above standards, amendments to standards and interpretations. According to the entity's estimates, the above-mentioned standards, interpretations and amendments to standards would not have a material impact on the financial statement if they had been applied as at the balance sheet date.

- IFRS 16 "Leases" - effective for annual periods beginning on or after 1 January 2019,

  The Company does not use financial or operational leasing contract. The Company does not rent assets from third parties, and the contracts in which the Company is a lessor, in the opinion of the Company, are not leasing contracts. The Group companies, on the other hand, use financial lease and one entity operating lease. The increase in the value of liabilities under operating lease used by the companies of the capital group will amount to PLN 9 741 thousand. In the scope of perpetual usufruct, in the Company's opinion further analyses related to the value of individual properties are necessary. The net book value of the properties being in perpetual usufruct is PLN 80 344 thousand, and the annual fee for perpetual usufruct is PLN 4 425 thousand. The estimated market value significantly exceeds the book value, and the discounted annual fee in the period until the end of perpetual usufruct due to its long period is very sensitive to the adopted interest rate level. With an interest rate of 5% annually it will amount to PLN 86 771 thousand (while an interest rate of 7% will amount to PLN 62 928 thousand respectively). For this reason, and the fact that IFRS 16 is a new standard, and perpetual usufruct is a specific national provision, at the date of the preparation of the statement it is difficult to clearly assess the impact of the new provision on the financial statement, nevertheless, when analysing the data as above, the impact on the financial statements can be assessed as insignificant. The amount of the valued liability will be recognized in the undivided result in the amount of net assets recognized in the statement of financial position, and the difference will be charged to the value of assets.

Other published but not yet binding standards and interpretations do not apply to the Company's operations or will not affect it. They are:

- IFRS 17 "Insurance Contracts",
- Annual changes to IFRS 2015-2017 regarding IFRS 3 "Business Combinations, IFRS 11" Joint Arrangements", IAS "Income taxes", IAS 23 "Borrowing Costs"
- Amendments to IAS 19 "Employee Benefits" - concerning changes, limitations or settlements of defined benefit plans.

5. Explanatory notes to the financial statement

The comparative data presented in the notes and notes to the financial statements refers to the certified comparable data.

Intangible assets

NOTE 1a - INTANGIBLE ASSETS	thousand x PLN	
	2018	2017
a) development costs	39 305	10 323
b) goodwill	18 380	18 378
c) concessions, patents, licenses and similar values, including:	14 874	14 703
- computer software	*4 910*	*6 202*
d) other intangible assets	18 470	16 101
e) right to perpetual usufruct of land	80 344	82 000
Total intangible assets	**171 373**	**141 505**

All intangible assets are owned by Stalprodukt. The Company does not hire, rent or lease intangible assets. Research and development works are related to works for the implementation of a project in the scope of renewable energy sources, i.e. the construction of an innovative wind turbine prototype with a vertical axis of rotation, with a capacity of 1.5 MW. In the management's assessment, the conditions for activating works set out in the IAS 38 are met (including the possibility and means for continuing work, the possibility of applying effects and achieving economic benefits in the future).

Goodwill relates to the subsidiaries of ZGH "Bolesław" S.A. The impairment test carried out in the subsidiary Gradir Montenegro and the analysis of financial data in the subsidiary PRD Sp. z o.o. did not identify any impairment of its value.

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	**10 323**	**18 378**	**26 919**	**8 455**	**20 307**	**82 779**	**158 706**
1. increase (due to)	**28 982**	**2**	**1 116**	**277**	**17 553**	**200**	**47 853**
- consolidation		*2*					*2*
- purchase	*1 063*		*1 116*	*277*	*81*	*200*	*2 460*
- transfer from fixed assets under construction	*27 919*						*27 919*
- obtaining free-of-charge right to CO_2 emission					*17 472*		*17 472*
2. decrease (due to)			**378**	**378**	**11 137**	**1 856**	**13 371**
- liquidation			*107*	*107*	*1 331*		*1 438*
- sales			*271*	*271*	*2 213*	*168*	*2 652*
- transfer to investment properties						1 668	1 668
- obtaining free-of-charge right to CO_2 emission					*7 593*		*7 593*
II. gross value of intangible assets at the end of the period	**39 305**	**18 380**	**27 657**	**8 354**	**26 723**	**81 123**	**193 188**
1. accumulated depreciation (amortization), at the beginning of the period			**12 216**	**2 893**	**4 206**	**779**	**17 201**
2. depreciation for the period (due to)			**567**	**551**	**4 047**		**4 614**
- depreciation allocated to the costs			*915*	*899*	*13 470*		*14 385*
- decrease due to liquidation			*-348*	*-348*	*-9 423*		*-9 771*
- increase due to consolidation							
III. accumulated depreciation (amortization) at the end of the period			**12 783**	**3 444**	**8 253**	**779**	**21 815**
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	**39 305**	**18 380**	**14 874**	**4 910**	**18 470**	**80 344**	**171 373**

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	
	2018	2017
1. fixed assets, including:	**1 770 060**	**1 607 676**
a) land	31 527	25 810
b) buildings, premises, civil engineering objects	577 820	560 231
c) plants and machinery	1 111 011	981 637
d) means of transport	29 579	28 253
e) other fixed assets	20 123	11 745
2. fixed assets under construction	**198 346**	**160 324**
3. advance payments on fixed assets under construction		
Tangible fixed assets, total	**1 968 406**	**1 768 000**

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 a sales volume in respect of all the traded products was by 5.5 % lower 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	25 810	1 027 991	1 665 746	60 742	22 791	2 803 080
b) increase (due to)	5 718	168 437	543 087	8 391	11 817	738 566
- investment	5 350	117 427	420 466		9 833	554 192
- purchases		49 963	98 926	6 466	1 977	157 332
- change of spare parts included in fixed assets			548			548
- overhauls		898	14 439	429		15 766
- consolidation adjustments	356					356
- leasing			4 047	984		5 031
- exchange difference from translation	12	149	4 661	512	7	5 341
c) decrease (due to)	1	17 684	27 628	2 259	316	47 888
- sale	1	5 806	20 903	1 739	100	28 549
- liquidation		11 878	6 699	520	216	19 313
- reclassification to eqipment			26			26
- revaluation						
- exchange rate differences						
d) gross value of fixed assets at the end of the period	31 527	1 178 744	2 181 205	66 874	34 292	3 492 642
e) accumulated depreciation (amortization), at the beginning of the period		469 134	684 109	32 489	11 046	1 196 778
f) depreciation for the period (due to)		131 790	386 085	4 806	3 123	525 804
- depreciation included in costs		36 592	101 741	6 595	2 470	147 398
- reduction due to sale		1 333	5 475	1 664	81	8 553
- reduction due to liquidation		6 940	9 226	295	165	16 626
- increase due to inventory differences		294	-25		-2	267
- increase due to reclassification and consolidation adjustments		3 783	4 060	170	252	8 265
- increase due to the purchase of GO Steel		99 394	295 010		649	395 053
g) accumulated depreciation (amortization) at the end of the period		600 924	1 070 194	37 295	14 169	1 722 582
h) write-offs for permanent loss of value, at the beginning of the period		2 975	659	6	4	3 644
- increase						
- decrease						
i) write-offs for permanent loss of value, at the end of the period		2 975	659	6	4	3 644
j) net value of fixed assets at the end of the period	**31 527**	**577 820**	**1 111 011**	**29 579**	**20 123**	**1 770 060**

NOTE 2c – BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)	thousand x PLN	
	2018	2017
1. own assets	1 745 848	1 598 673
2. assets used under rental, lease, tenancy or other types of agreements, including leasing agreement, including:	24 212	9 003
- leasing agreement	*24 212*	*9 003*
Total balance sheet fixed assets	**1 770 060**	**1 607 676**

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 30,711 thousand, subject to the depreciation of PLN 6,561 thousand, and the net value as of the balance sheet day is PLN 24,150thousand. The liabilities in respect of the leasing amount to PLN 21,405 thousand, including: long-term ones PLN 18,516 thousand, and short-term ones PLN 2,889 thousand.

NOTE 3a – LONG-TERM INVESTMENT	thousand x PLN	
	2018	2017
1) investment properties	**7 675**	**3 296**
2) long-term financial assets	**75 141**	**44 982**
a) stocks and shares	*6 591*	*8 717*
b) bonds	*13 950*	
c) other long-term financial assets	*54 600*	*36 265*
3) Investments in associated entities	16 051	
Long-term investment, total	**98 867**	**48 278**

The amount of investment properties does not show the loss of value. The value shown in the statement of financial position is lower than a fair value.

NOTA3b - CHANGE IN INVESTMENT PROPERTIES	thousand x PLN	
	2018	2017
1. balance at the beginning of the period	**3 296**	**3 838**
2. increase	**4 792**	
- reclassification to long-term investments	4 792	
- przyjęcie z inwestycji		
- capital expenditures on leased properties		
- purchase of real estate		
a) *from investment*		
3. decrease	**413**	**542**
a) depreciation	*413*	*542*
b) liquidation/sales of assets		
c) reclassification to fixed assets		
4. balance at the end of the period	**7 675**	**3 296**

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		
e) *transfer* to investments in associated entities		
f) *a reversing entry* of evaluation by equity method	*1 122*	*5 600*
4. balance at the end of the period	**44 982**	**42 191**

The revenues from “the lease of investment properties” for 2018 amount to PLN 1 070 thousand.

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	36 916	0	36 916	100	100	
9.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	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	275 581	0	275 581	94,92	94,92	
11.	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	31.12.2015	454	0	454	76.00	71.43	
12.	StalNet Sp. z o.o.	Kraków	Internet commerce	shares held by Stalprodukt S.A./personal links	by means of equity method	31.01.2018	39	0	16 051	28.00	28.00	
13.	Go Steel Frydek Mistek a.s.	Frydek-Mistek	production of electrical transformer sheets	subsidiary	full consolidation	01.03.2018	170 618	0	170 618	100	100	

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

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	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	100.00	100.00	
2.	Karo Sp. z o.o.	Bukowno	Detective-investigation- and security-related activities	subsidiary	full consolidation	01.03.2004	304	0	304	100.00	100.00	
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	22 303	0	22 303	92,78	92,78	
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.	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	100.00	100.00	

NOTE 3c'' – STOCKS OR SHARES IN AN ASSOCIATED COMPANY										
Lp.	w tys. zł									
	a	b	c	d	e		f	g	h	i
					including:					
	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	book value of shares		- capital held	Percentage of capital held	Total number of votes at a general meeting	The value of shares not paid by the issuer	Dividends received or receivable for the last financial year
1.	StalNet Sp. z o.o.	Bochnia	Internet commerce	39	57 186	200	28.00	28.00		

NOTE 3d – ISSUER'S STOCKS OR SHARES IN SUBSIDIARY COMPANIES SUBJECT TO CONSOLIDATION																		
	thousand x 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	- called up share capital (nega-tive value)	- supplementary capital		Previous years' profit (loss)	Net profit (loss)		-long-term liabili-ties	- 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	divi-dends received or receivable from the unit for the last financial year
1.	Stalprodukt -MB sp. z o.o.	**3 157**	2 604			553		154	**410**		410	**1 444**		1 444	**3 568**	**5 215**		
2.	Stalprodukt -Wamech sp. z o.o.	**10 913**	1 200			9 713		672	**3 680**		2 484	**3 549**		3 549	**14 592**	**17 318**		
3.	Stalprodukt -Centrostal sp. z o.o.	**16 744**	10 797			5 947	-502	-5 626	**1 392**		1 174	**3 744**		3 744	**18 136**	**213 494**		
4.	Stalprodukt -Serwis sp. z o.o.	**4 187**	900			3 287	-1 851	242	**6 588**		1 648	**2 708**		2 708	**10 775**	**10 931**		
5.	Stalprodukt -Zamość sp. z o.o.	**24 577**	2 450			22 127		1 268	**10 355**	4 973	4 665	**6 628**		6 628	**34 932**	**58 339**		
6.	Stalprodukt -Ochrona sp. z o.o.	**1 693**	600			1 093	-142	51	**531**		531	**881**		881	**2 224**	**5 184**		
7.	STP-Elbud sp. z o.o.	**51 743**	20 613		36 150	-5 020	-6 891	-247	**44 145**	2 600	40 292	**36 640**		36 640	**95 888**	**165 777**		
8.	Cynk-Mal S.A.	**27 401**	20 191		22 496		-18 887	3 601	**35 407**	3 038	25 804	**6 761**		6 761	**62 808**	**72 105**		
9.	Anew Institute sp. z o.o.	**9 562**	14 649		77	-5 087	-4 026	-1 158	**3 633**	0	1 267	**629**		629	**13 196**	**794**		

10.	ZGH "Bolesław" S.A.	**1 064 412**	166 116		585 774	898 296	989	184 696	**507 937**	49 603	224 950	**225 653**		225 653	**1 572 350**	**1 337 606**		36 649
11.	GO Steel Frydek Mistek a.s.	**202 635**	203 437			-802	-10 421	9 619	**102 771**	26 515	74 121	**58 290**		58 290	**305 406**	**413 260**		
12.	GO Steel Frydek Mistek a.s*	**202 635**	203 437			-802	-9 045	8 243	**102 771**	26 515	74 121	**58 290**		58 290	**305 406**	**338 116**		

* for the period from 01.03.2018 to 31.12.2018

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

	thousand x 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	called up share capital (nega-tive value)	- supplemen-tary capital		Previous years' profit (loss)	Net profit (loss)		-long-term liabili-ties	- short-term liabilities		- long-term receiva-bles	- short-term receiva-bles	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.	BOLTHERM Sp. z o.o.	**58 391**	16 262		32 494			9 635		5 481	35 104		0	32 700	**109 219**	**242 777**		
2.	Karo Sp. z o.o.	**835**	300		349			186		47	1 047		0	902	**1 984**	**7 157**		
3.	Huta Cynku Miasteczko Śląskie S.A.	**430 945**	79 000		195 255		-2 684	50 117		42 367	77 588			114 795	**595 156**	**1 009 556**		
4.	Przedsiębiorstwo Robót Drogowych Olkusz Sp. z o.o.	**10 023**	1 700		6 353			1 970		146	1 805		553	958	**10 775**	**18 458**		
5.	Gradir Montenegro d.o.o.	**30 186**	93 290				-68 979	6 617		73 957	20 667		77	4 250	**34 932**	**79 873**		

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.	F&R Finance Sp. z o.o.	Myślenice , Jaworki	financial activities	6 815	19,68
3.	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 2018	2017
1. Balance of assets due to deferred income tax, at the beginning 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*
2. Increases	***6 236***	***16 114***
a) attributed to financial result of the period in respect of deductible temporary differences (due to)	*6 236*	*4 584*
- appearance of temporary differences	*6 236*	*4 584*
b) attributed to equity in respect of negative temporary differences (due to)		*11 530*
3. Decreases	**35 919**	**31 640**
a) attributed to financial result of the period in respect of negative temporary differences (due to)	*3 414*	*10 581*
- reversal of temporary differences	*3 414*	*10 581*
- changes of tax rate		
b) attributed to equity in respect of negative temporary differences (due to)	*32 505*	*21 059*
4. increases due to consolidation		
5. Balance of assets due to deferred income tax, at the end of the period, including:	**31 697**	**61 380**
a) attributed to the financial result	*29 190*	*26 368*
b) attributed to equity	*2 507*	*35 012*

NOTE 5 - Inventory	thousand x PLN	
	2018	2017
1. materials	335 199	257 115
2. semi-finished products and work in progress	216 206	193 057
3. finished products, including:	236 650	185 590
Write-off for finished goods	-4 731	- 1 471
4. goods	11 743	7 699
Inventory, total	**799 798**	**643 461**

As at the balance sheet date, the following charges of inventory apply for regarding materials – a registered pledge agreement to the amount of PLN 20,000 thousand for the benefit of PNB Paribas S.A. and up to PLN 15,000 thousand for Bank Handlowy, and up to PLN 100,000 thousand for Bank PKO BP S.A. and up to PLN 35,000 thousand for Bank Pekao S.A. due to protection of the granted credit limits.

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	
	2018	2017
1. trade receivables, maturing:	504 735	465 773
- up to 12 months	*504 735*	*465 773*
- above 12 months		
2. receivables from tax, subsidy, customs, social security and other benefits	88 324	70 736
3. claimed at court		
4. other	36 727	28 379
Net short-term receivables, total	**629 786**	**564 888**
- write-downs of receivables	12 409	13 441
Gross short-term receivables, total	**642 195**	**578 329**

As at 31.12.2018 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 Bank Handlowy S.A. as well as silent assignment duties in the amount of PLN 10,000 thousand, which constitutes security of the limit for guarantees and letters of credit in BGŻ BNP Paribas S.A. and the silent cession of claims in the amount of PLN 10,000 thousand as security for a limit in Bank Pekao 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 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	
	2018	2017
Balance at the beginning of the period	**13 441**	**12 642**
1. increase (due to)	**3 070**	**2 862**
a) provision for doubtful receivables	3 070	2 862
2. decrease (due to)	**4 102**	**2 063**
a) cancellation	79	28
b) release of provision (reserve) for doubtful receivables	409	885
c) exchange rates differences	1 487	632
d) adjustment	505	
e) payment	1 622	518
Balance of short-term receivables write-downs at the end of the period	**12 409**	**13 441**

NOTE 6c - Gross short-term receivables (currency structure)	thousand x PLN	
	2018	2017
1. in Polish currency	**312 249**	**320 879**
2. in foreign currencies (according to currencies converted into PLN)	**329 946**	**257 450**
a) in EURO	*43 556*	*28 072*
converted into PLN	**187 207**	**118 254**
b) in USD	*37 289*	*39 982*
converted into PLN	**140 175**	**139 196**
c) in CZK	15 328	
converted into PLN	**2 564**	
Short-term receivables, total	**642 195**	**578 329**

NOTA 6d - Trade receivables (gross) – maturing as at the balance day:	thousand x PLN	
	2018	2017
up to 1 month	*245 796*	*248 188*
above 1 month up to 3 months	*134 433*	*130 940*
above 3 months up to 6 months	*12*	*1 543*
above 6 months up to 1 year	*318*	*960*
above 1 year	*599*	*72*
overdue receivables	*135 987*	*97 511*
Trade receivables, total (gross)	**517 145**	**479 214**
trade receivables write-downs	*12 409*	*13 441*
Trade receivables, total (net)	**504 736**	**465 773**

NOTE 6e - Trade receivables, overdue (gross) – divided into unpaid receivables within the period:	thousand x PLN	
	2018	2017
up to 1 month	*102 742*	*69 840*
above 1 month up to 3 months	*19 501*	*16 227*
above 3 months up to 6 months	*2 554*	*606*
above 6 months up to 1 year	*929*	*514*
above 1 year	*10 261*	*10 324*
Trade receivables, total (gross)	**135 987**	**97 511**
trade receivables write-downs	*12 409*	*13 441*
Trade receivables, total (net)	**123 578**	**84 070**

NOTE 6f - Disputable and overdue receivables

The total amount of gross short-term receivables, i.e. 517,145 thousand PLN, overdue receivables amount to 135,987 thousand PLN. Disputable overdue receivables did not occur. Overdue receivables only apply to trade receivables. Out of the overdue receivables, only the amount of 12,409 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	
	2018	2017
1. cash	**472 586**	**498 037**
a) cash in hand and at bank	*472 586*	*498 037*
b) other cash		
2. loans	**20 000**	**50 000**
3. other short-term investments	**103 419**	**118 807**
a) short-term securities	*39 925*	*70 838*
b) other short-term investments	*63 494*	*47 969*
Short-term financial assets, total	**596 005**	**666 844**

NOTE 7b - CASH AND ITS EQUIVALENTS (currency structure)	thousand x PLN	
	2018	2017
1. in Polish currency	**410 627**	**332 091**
a) including funds on the VAT account	*1 622*	
2. in foreign currencies (according to currencies converted into PLN)	**61 959**	**165 946**
a) in EURO	*6 245*	*24 467*
converted into PLN	**26 824**	**102 248**
b) in USD	*9 100*	*15 970*
converted into PLN	**34 217**	**55 906**
c) in CZK	*5 422*	
converted into PLN	**907**	
3. other currencies	**11**	**7 792**
Cash and its equivalents, total	**472 586**	**498 037**

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**	
	2018	**2017**
1. active cost accruals, including:	**18 252**	**26 638**
a) costs of insurance and subscription	*3 641*	*3 553*
b) staged repairs		*11 734*
c) research and development works	*1 305*	*2 381*
d) other	*1 581*	*944*
e) costs of future periods	*11 725*	*8 026*
Short-term accruals, total	**18 252**	**26 638**

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 16,780 thousand PLN, including those concerning receivables of 12,409 thousand PLN and finished products of 4 371 thousand PLN.

During the reporting period there was made a write-off in the amount of 4 371 thousand PLN in scope of inventories of finished products and a write-off from the previous year was dissolved in the amount of 1 471 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 4,102 thousand PLN and a part of the previous write-downs in the amount of 4,102 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						

NOTE 11– Supplementary capital	thousand x PLN	
	2018	2017
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)	418 149	347 185
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)	*383 558*	*312 699*
Supplementary capital, total	**561 927**	**490 963**

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	
	2018	2017
1. in respect of the financial instruments valuation	*65 288*	*-126 978*
Revaluation reserve, total	**65 288**	**-126 978**

NOTE 13 – Other reserve capitals (by appropriation)	thousand x PLN	
	2018	2017
- reserve capital for investments	1 339 770	1 337 442
- 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	171 637	76 568
Revaluation reserve, total	**1 574 552**	**1 477 155**

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.

On 20 June 2016, the General Meeting adopted the Resolution No XXXIII/18/2016, granting the Company an authorization within the meaning of Art. 365 par. 1 subpar. 8 to purchase its own shares with a view to redemption. The maximum number of shares which can be purchased by the Company within the Program equals 200 000 items. The single share purchase price is PLN 250.00. The purchase refers to registered preference shares of A, B and E series. The value of the Program enlarged by the purchase costs equals PLN 51 million. The purchase of the shares may take place within the deadlines and under the terms and conditions defined by the Company's Management Board within two years starting from the time when the Resolution No XXXIII/18/2016 was adopted. The validity period of the resolution expired on 20 June 2018. In case of passing appropriate resolution by the AGM this capital will be transferred to reserve capital.

NOTE 14 – CHANGE IN MINORITY INTEREST	thousand x PLN	
	2018	**2017**
Balance at the beginning of the period	**90 369**	**80 572**
1. increases (due to)	**15 924**	**20 987**
a) profit distribution	*14 364*	*20 987*
b) consolidating	*1 560*	
2. decrease (due to)		**11 190**
a) dividend payment		
b) change in the minority shares		*11 190*
Minority interest status at the end of reporting period	**106 293**	**90 369**

NOTE 14a - Data of entities in which Stalprodukt SA holds less than 100% of shares (data in PLN thousand)	Grupa ZGH	PTZ	Stalnet
% of shares	94,92	71,43	28,00
Cash flow net from operational activity	327 857	-27	
Cash flow net from investment activity	-149 132	0	
Cash flow net from financial activity	-132 247	0	
Total assets	2 169 969	1 183	72 207
Total current assets	1 133 299	1 178	958
Liabilities and provisions	659 829	458	15 021
Minority capital	106 125	168	
Participation in the result	14 407	-43	
Profit net	211 755	-149	101

NOTE 15a - CHANGE IN THE BALANCE OF RESERVE FOR DEFERRED INCOME TAX	thousand x PLN	
	2018	2017
1. The balance of deferred income tax, at the beginning of the period, including:	**90 029**	**81 471**
a) attributed to financial result	86 998	76 265
b) attributed to equity	3 031	5 206
2. Increases (due to)	**39 313**	**17 896**
a) attributed to financial result of the period	**12 059**	
b) differences between the depreciation entered in the balance sheet and tax depreciation	9 627	16 788
c) exchange differences	1 069	396
d) others reserves	1 363	712
e) attributed to shareholders' equity	**27 254**	
f) correction from previous years 2005-2009	10 432	
g) valuation of hedging transactions	16 822	
3. Decreases	**15 243**	**9 338**
a) attributed to the financial result due to positive temporary differences (due to)	13 737	7 163
- reversal of temporary differences (use of reserves for deferred income tax)	13 737	7 163
b) attributed to the financial result due to positive temporary differences (due to)	1 506	2 175
- valuation of hedging transactions	1 485	2 175
- other	210	
4. Balance of reserve at the end of the period, total	**114 099**	**90 029**
a) attributed to the financial result	85 320	86 998
b) attributed to equity	28 779	3 031

The deferred tax liability, erroneously released in the years 2005-2009, was corrected. The difference was recognized in the result from previous years.

NOTE 15b - CHANGE IN THE BALANCE OF OTHER NON-CURRENT PROVISIONS	thousand x PLN	
	2018	2017
1. balance at the beginning of period	**158 569**	**149 033**
2. increase (due to)	**47 904**	**10 145**
a) creation of a provision for the retirement severance pays	*12 296*	*3 945*
b) creation of a provision for the recultivation of a settling tank and settling ponds	*474*	*55*
c) creation of a provision for closure of a mine		*6 145*
d) creation of a provision for guarantee repairs		
e) creation of other reserves	*1 774*	
f) creation of provision due to GO STEEL purchase, including:	*33 360*	
- "Earn-out" remuneration	*14 595*	
- liabilities due to the HRC contract	*18 765*	
3. solution (due to)	**14 606**	**609**
a) transfer to current provisions	*439*	
b) given retirement severance pays	*7 912*	*609*
c) decrease of a provision due to the HRC contract	*6 255*	
4. balance at the end of period	**191 867**	**158 569**

The "Earn-out" remuneration is a component of the price associated with the purchase of the shares of GO Steel Frydek Mistek a.s. and denotes the seller's right to 50% of share pursuant to the assumed above level of EBITDA in the valuation prepared for the transaction in the period of 4 consecutive years, with the reservation that the total amount of payments due to this may not exceed EUR 3 500 thousand. This amount constitutes contingent liabilities and is measured at fair value. A provision was created for the entire amount.

The liability under the HRC contract denotes the Company's liability to purchase an additional 50 thousand tonnes of hot-rolled sheet per year for 3 years, on market conditions that do not deviate from the standard purchase conditions. This value was estimated by the Seller to be EUR 4 500 thousand and constitutes fair value. A provision was created for the entire amount. In 2018, due to fulfilment of the liability, release of provisions was made for the amount of PLN 6 255 thousand.

NOTE 15c - CHANGE IN THE BALANCE OF OTHER CURRENT PROVISIONS (BY TITLE)	thousand x PLN	
	2018	2017
1. balance at the beginning of period	**65 171**	**95 306**
2. increase (due to)	**73 169**	**46 584**
a) transfer from non-current provisions to current provisions	*3 301*	*2 605*
b) creation of a provision for future liabilities	*52 508*	*34 079*
c) creation of a provision for the retirement severance pays	*414*	*326*
d) creation of other reserves	*16 946*	*9 574*
3. use (due to)	**42 533**	**45 292**
a) of other liabilities	*42 533*	*45 292*
4. solution (due to)	**20 445**	**31 427**
a) given retirement severance pays	*3 137*	*726*
b) other	*17 308*	*30 701*
5. balance at the end of period	**75 362**	**65 171**

The planned liquidation of zinc and lead ore mining in the region of Olkusz-Pomorzany within the next few years, and thus the cessation of drainage of underground mine workings of ZGH Bolesław S.A. has certain consequences, including, among others, the change of the source of drinking water for the supply of the inhabitants of the Olkusz region. Having the above in mind, Water and Sewage Company Ltd Olkusz developed a solution for water supply of the Olkusz region and implemented the necessary investment projects. Within the framework of these investment projects, four water intakes in Kolbark and Cieślin were built or modernised, and the connection of these water intakes with the newly built main network to the existing main networks was established. The cost of execution of the investment projects in question amounted to PLN 17.3 million. On 12 June 2013 the Company filed a petition with the Regional Court in Kraków to determine the lack of liability for damages with ZGH "Bolesław" S.A. for failure to discharge water after the termination of the Pomorzany mine, deterioration of groundwater quality and restoration of natural water relations in the areas of the Olkusz, Bolesław and Klucze communes, after the mine was sunk. On the other hand, on 6 February 2014, Water and Sewage Company Ltd Olkusz filed a lawsuit with the Regional Court in Kraków for damages for mining damage or the Company's commitment to supply water for human consumption and industrial purposes for payment of the said amount. On 7 March 2014 The Company filed a lawsuit with the Regional Court in Kraków to dismiss all claims as unfounded. At the hearing on 5.09.2014 the court ordered that the two cases be joined for joint examination. On 25.04.2018, the Court announced the preliminary verdict, in which it dismissed the entire claim for determination submitted by ZGH "Bolesław" SA and considered the action of Sewage Company Ltd as a rule. In view of the unfavourable judgement, on 8.10.2018 an appeal was filed to the Court of Appeals I Civil Department in Kraków. By 31.12.2018 the case had not been concluded. Due to the fact that ZGH "Bolesław" S.A. has a potential liability for damages in 2015, a provision in the amount of PLN 15 million was created. As at 31.12.2018 this provision was not used or released.

NOTE 16a - Long-term liabilities	thousand x PLN	
	2018	2017
1. credits and loans	**150 839**	**101 738**
2. in respect of issued debt securities		
3. other financial liabilities, including:	**33 878**	**83 265**
b) financial lease agreements	*18 516*	*3 935*
c) hedging transactions agreements/ collateral agreements	*15 362*	*79 330*
4. other (according to type)	**17 016**	**4 547**
a) other	*14 442*	*597*
b) geological information fee	*2 574*	*3 950*
5. contingent liabilities due to the purchase of ZGH	**296 115**	**296 115**
Long-term liabilities, total	**497 848**	**485 665**

NOTE 16b - Long-term liabilities, maturing as at the balance sheet date	thousand x PLN	
	2018	2017
a) above 1 year to 3 years	*166 905*	*155 127*
b) above 3 to 5 years	*13 135*	*18 249*
c) above 5 years	*21 693*	*16 174*
d) contingent liabilities due to the purchase of ZGH	*296 115*	*296 115*
Long-term liabilities, total	**497 848**	**485 665**

NOTE 16c - Long-term liabilities (currency structure)	thousand x PLN	
	2018	2017
1. in Polish currency	**471 333**	**485 665**
2. in foreign currency (by currency and converted into PLN)	**26 515**	
a) in CZK	*158 488*	
converted into PLN	**26 515**	
Long-term liabilities, total	**497 848**	**485 665**

NOTE 16c - NON-CURRENT LIABILITIES (BY CREDITS AND LOANS)													
Name (the company) of the entity with indication of legal form	Registered office	The amount of the credit/loan by			contracts	Outstanding amount of credit / loan				Interest conditions	The repayment date	Securities	Other
		thousand x PLN	currency	unit	currency	thousand x PLN	currency	unit	currency				
NFEP&WM	Warsaw	36 956	PLN	in thousand	PLN	23 576	PLN	in thousand	PLN	3.50% per year	30.06.2025	Blank bill of exchange with a bill of exchange declaration, mortgage on the property on which the project is executed, court registered pledge on a set of items purchased or created within the investment project execution	of which short-term part (payable in 2019) in the amount of PLN 4 460 thousand
Voivodeship Fund for Environmental Protection and Water Management P/114/15/21	Kraków	4 743	PLN	in thousand	PLN	2 597	PLN	in thousand	PLN	3.60% per year	15.12.2022	Agreement on the assumption of rights and obligations, blank bill of exchange agreement	
Voivodeship Fund for Environmental Protection and Water Management P/115/15/21	Kraków	891	PLN	in thousand	PLN	346	PLN	in thousand	PLN	3.60% per year	15.12.2020	Agreement on the assumption of rights and obligations, blank bill of exchange agreement	
Voivodeship Fund for Environmental Protection and Water Management P/116/15/21	Kraków	1 105	PLN	in thousand	PLN	429	PLN	in thousand	PLN	3.60% per year	15.12.2020	Agreement on the assumption of rights and obligations, blank bill of exchange agreement	
Voivodeship Fund for Environmental Protection and Water Management	Katowice	20 388	PLN	in thousand	PLN	18 349	PLN	in thousand	PLN	0,95 times the rediscount rate on bills of exchange, announced on 1 January of each consecutive year, not less than 3.00%	15.12.2028	Transfer of receivables from the term deposit account in the amount of PLN 20,643,200	of which short-term part (payable in 2019) in the amount of PLN 2 038 thousand
National Fund for Environmental Protection in Warsaw	Warsaw	42 162	PLN	in thousand	PLN	28 182	PLN	in thousand	PLN	3.50% per year	20.12.2022	blank promissory note with "no protest" clause and blank promissory note agreement	
PKO Bank Polski S.A.	Warsaw	100 000	PLN	in thousand	PLN	70 000	PLN	in thousand	PLN	wibor+margin	30.06.2023	promissory note, pledge on GO Steel shares	Investment credit refinancing the purchase of GO Steel shares
ING Bank Śląski Spółka Akcyjna	Katowice	4 700	PLN	in thousand	PLN	3 140	PLN	in thousand	PLN	wibor+margin	30.04.2022	registered pledge and assignment of rights under the insurance policy - bending centre P4, bending centre RAS, blank bill of exchange	
ING Bank Śląski Spółka Akcyjna	Katowice	1 800	PLN	in thousand	PLN	1 620	PLN	in thousand	PLN	wibor+margin	30.06.2023	registered pledge and assignment of rights under the insurance policy - Salvagnini machine, blank bill of exchange	
PEKAO SA	Warsaw	13 000	PLN	in thousand	PLN	2 600	PLN	in thousand	PLN	wibor+margin	31.12.2020	bill of exchange with bill of exchange agreement, power of attorney, surety of Stalprodukt S.A., mortgage on land	

Current liabilities

NOTE 17a - CURRENT LIABILITIES	thousand x PLN	
	2018	2017
1. credits and loans, including:	**180 869**	**235 294**
a) non-current in the repayment period	*20 000*	*0*
2. due to issuing debt securities		
3. due to dividends		
4. other financial liabilities, including:	**17 130**	**189 094**
a) due to leasing	*3 176*	*2 052*
b) due to entering into a currency option transaction	*13 954*	*187 042*
5. due to deliveries and services, with maturity period:	**385 637**	**311 884**
a) up to 12 months	*383 658*	*310 010*
b) over 12 months	*1 979*	*1 874*
6. advance payments received for deliveries	**1 078**	**578**
7. due to taxes, duties, insurances and other considerations	**64 242**	**62 936**
8. due to remuneration	**25 054**	**24 177**
9. other (by title)	**71 279**	**60 678**
a) Employee Benefit Fund (ZFŚS)	*9 273*	*9 307*
b) savings and loans plan for employees (PKZP)	*1 242*	*1 246*
c) PZU (insurance group)	*1 006*	*1 136*
d) fund for the liquidation of the mining plant;	*18 601*	*17 176*
e) investment settlements	*24 364*	*17 995*
f) other	*16 793*	*13 818*
Current liabilities, in total	**745 289**	**884 641**

NOTE 17b - CURRENT LIABILITIES (CURRENCY COMPOSITION)	thousand x PLN	
	2018	2017
1. in Polish currency.	**621 844**	**776 225**
2. in foreign currencies (by currency and after conversion into PLN)	**123 445**	**108 416**
a) in EUR currency	*18 500*	*13 760*
after conversion into PLN thousand	**79 474**	**57 899**
b) in USD currency	*5 999*	*14 562*
after conversion into PLN thousand	**22 387**	**50 517**
c) in CZK currency	129 015	
after conversion into PLN thousand	**21 584**	
Current liabilities, in total	**745 289**	**884 641**

NOTE 17c - CURRENT LIABILITIES ARISING FROM CREDITS AND LOANS													
in PLN thousand													
Name (business name) of the entity	Registered office	The amount of the credit/loan in accordance with the Agreement				The amount of the outstanding credit/loan				Interest conditions	Date of repayment	Securities	Other
		thousand x PLN	in currency	unit	currency	x thousand	in currency	unit	currency				
Bank PekaO S.A.	Warsaw	100 000	PLN	thousand	PLN	25 514	PLN	thousand	PLN	wibor+margin	19 September 2019	blank bill of exchange, pledge on stock, secret transfer of dues	Limit on the overdraft facility, limit on guarantees and letters of credit. In the context of the limit, the Companies of the Capital Group have limits up to PLN 28 000 thousand (PLN 13 000 thousand Stp Elbud and PLN 15 000 thousand Cynk Mal S.A.)
Bank Handlowy S.A.	Warsaw	65 000	PLN	thousand	PLN	26 344	PLN	thousand	PLN	wibor+margin	5 July 2019/4 January 2019	blank bill of exchange, pledge on stock, transfer of dues	Limit on the overdraft facility and short-term guarantee of PLN 50 000 thousand valid up to 01 2019, long-term guarantee PLN 15 000 thousand valid up to 07 2019
Bank BGŻ BNP Paribas S.A.	Warsaw	50 000	PLN	thousand	PLN	26 013	PLN	thousand	PLN	wibor+margin	19 September 2019	blank bill of exchange, secret transfer of dues, pledge on stock	Current account credit, limit on guarantees and letters of credit. In the context of the limit, Stalprodukt Wamech has a limit up to PLN 2 000 thousand
Societe Generale S.A.	Warsaw	15 000	PLN	thousand	PLN	3 969	PLN	thousand	PLN	wibor+margin	19 April 2019	none	Credit limit on the overdraft facility and on guarantees and letters of credit up to PLN 15 000 thousand
PKO Bank Polski S.A.	Warsaw	150 000	PLN	thousand	PLN	30 834	PLN	thousand	PLN	wibor+margin	19 August 2019	promissory note, pledge on stocks	Overdraft facility limit of PLN 95 000 thousand and limit on guarantees and letters of credit of PLN 40 000 thousand. In the context of the limit of the companies of the Capital Group have a limit of up to PLN 15 000 thousand including STP Elbud PLN 10 000 thousand and Centrostal PLN 5 000 thousand
PKO Bank Polski S.A.	Warsaw	100 000	PLN	thousand	PLN	20 000	PLN	thousand	PLN	wibor+margin	30 June 2023	promissory note, pledge on GO Steel shares	Investment credit refinancing the purchase of shares of GO Steel. Short-term part in the annual repayment period
Credit Agricole Bank Polska Spółka Akcyjna	Wrocław	5 000	interchangeably PLN, USD, EUR	thousand	PLN	421	PLN	thousand	USD	Wibor 1M + margin, EURIBOR 1M+margin, Libor 1M + margin	31 October 2019	declaration on submitting to enforcement, following the procedure set out in Article 777 of the Civil Procedure Code (KPC)	
Bank PeKaO S.A.	Warsaw	15 000	interchangeably PLN, USD, EUR	thousand	PLN	225	PLN	thousand	USD	Wibor 1M + margin, EURIBOR 1M + margin, Libor 1M + margin	30 September 2019	declaration on submitting to enforcement, following the procedure set out in Article 777 of the Civil Procedure Code (KPC)	
ING Bank Śląski Spółka Akcyjna	Katowice	30 000	interchangeably PLN, USD, EUR	thousand	PLN	0	-	thousand	PLN	Wibor 1M + margin, EURIBOR 1M + margin, Libor 1M + margin	31 October 2019 with the option of automatic extension for the next period	declaration on submitting to enforcement, following the procedure set out in Article 777 of the Civil Procedure Code (KPC)	
GETIN NOBLE BANK SA	Warsaw	5 000	interchangeably PLN, USD, EUR	thousand	PLN	0	-	thousand	PLN	Wibor 1M + margin, EURIBOR 1M + margin, Libor 1M + margin	31 December 2018	declaration on submitting to enforcement, following the procedure set out in Article 777 of the Civil Procedure Code (KPC)	It was not extended for the next period
PKO BP S.A.	Warsaw	10 000	interchangeably PLN, USD, EUR	thousand	PLN	0	-	thousand	PLN	Wibor 1M + margin, EURIBOR 1M + margin, Libor 1M + margin	12 August 2019	declaration on submitting to enforcement, following the procedure set out in Article 777 of the Civil Procedure Code (KPC)	

NFEP&WM	Warsaw	4 460	PLN	thousand	PLN	4 460	PLN	thousand	PLN	3.50% per annum	31 December 2019	Blank bill of exchange with a bill of exchange declaration, mortgage on the properties on which the project is carried out, court registered pledge on the set of items purchased or created as part of the investment project and assignment of the insurance policy	NFEP&WM loan of in the amount of PLN 36,956,250.00 - short-term part (to be repaid in 2019)

NOTE 17c (continued) - CURRENT LIABILITIES ARISING FROM CREDITS AND LOANS-

in PLN thousand

Name (business name) of the entity	Registered office	The amount of the credit/loan in accordance with the Agreement				The amount of the outstanding credit/loan				Interest conditions	The repayment date	Securities	Other
		thousand x PLN	currency	unit	currency	thousand x PLN	currency	unit	currency				
WFOŚiGW	Katowice	2 039	PLN	thousand	PLN	2 039	PLN	thousand	PLN	0,95 times the rediscount rate on bills of exchange announced on 1 January of each consecutive year.	31 December 2020	Transfer of receivables from the term deposit account in the amount of PLN 20,643,200	WFOŚiGW loan in the amount of PLN 20,388,266.26 - short-term part (to be repaid in 2019)
National Fund for Environmental Protection in Warsaw	Katowice	42 162	PLN	thousand	PLN	6 214	PLN	thousand	PLN	3.50% per annum	20 December 2022	blank promissory note with a "no protest" clause and a bill of exchange note declaration	
WFOŚiGWP/114/15/21	Kraków	4 743	PLN	thousand	PLN	88	PLN	thousand	PLN	3.60% per annum	15 December 2022	An agreement on acquisition of rights and liabilities, a bill of exchange agreement	
WFOŚIGWP/115/15/21	Kraków	891	PLN	thousand	PLN	11	PLN	thousand	PLN	3.60% per annum	15 December 2020	An agreement on acquisition of rights and liabilities, a bill of exchange agreement	
WFOŚIGWP/116/15/21	Kraków	1 105	PLN	thousand	PLN	12	PLN	thousand	PLN	3.60% per annum	15 December 2020	An agreement on acquisition of rights and liabilities, a bill of exchange agreement	
PekaoS.A.	Kraków	13 000	PLN	thousand	PLN	2 600	PLN	thousand	PLN	wibor+margin	31 December 2020	bill of exchange with bill of exchange agreement, power of attorney, surety of Stalprodukt S.A., mortgage on land	Non-current in the repayment period
PekaoS.A.	Kraków	13 000	PLN	thousand	PLN	9 207	PLN	thousand	PLN	wibor+margin	19 September 2019	power of attorney to dispose of bank accounts and statement on submission to enforcement proceedings	Limit for guarantees, letters of credit and overdraft under a three-party contract between Stalprodukt, CYNK MAL, STP ELBUD
PKO BP S.A.	Warsaw	10 000	PLN	thousand	PLN	7 889	PLN	thousand	PLN	wibor+margin	19 August 2019	blank promissory note and statement on submission to enforcement, clause of deduction of receivables from accounts maintained at PKO BP S. A.	Limit for guarantees, letters of credit and overdraft under the three-party contract Stalprodukt , Stalprodukt Centrostal and STP ELBUD
BGŻ BNP PARIS Bank S.A.	Warsaw	2 000	PLN	thousand	PLN	278	PLN	thousand	PLN	wibor+margin	19 September 2019		Within the limit of Stalprodukt S.A.

Bank PeKaO S.A.	Warsaw	15 000	PLN	thousand	PLN	14 750	PLN	thousand	PLN	wibor+margin	30 September 2019	power of attorney to dispose of the Borrower's accounts with Bank PeKaOS.A.; Borrower's declaration on voluntary submission to enforcement; securing the repayment of the credit by accepting joint and several liability for the obligations under the Contract for a multi-purpose credit line.	

NOTE 18 - Accruals	thousand x PLN	
	2018	**2017**
1. disclosed deferred income		**19**
a) long-term (by titles)		**0**
b) short-term (by titles)		**19**
- other		*19*
2. deferred income	**33 066**	**17 995**
a) long-term (by titles)	**14 301**	**5 555**
- National Fund for Environmental Protection and Water Management loan write-off	*7 690*	*100*
- technical solutions – extraction of Indium, German and Tin	*2 271*	*1 017*
- subsidy	*4 340*	*4 438*
b) short-term (by titles)	**18 765**	**12 440**
- received advances	*1 887*	*1 175*
- subsidy NCBiR	*1 898*	*2 064*
- certificates CO_2	*14 980*	*9 201*
Other accruals, total	**33 066**	**18 014**

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 (2,699,840 thousand PLN: 5,580,267 shares = 483.82 PLN).

NOTE 20 a - NET INCOME FROM SALES OF PRODUCTS (MATERIAL STRUCTURE-TYPES OF ACTIVITIES)	thousand x PLN	
	2018	**2017**
- transformer sheets	*799 533*	*519 154*
- toroidal cores	*13 797*	*11 290*
- steel sheets, hot-rolled and cold-rolled strips	*48 198*	*63 844*
- cold formed profiles	*542 863*	*569 746*
- road barriers	*126 179*	*101 249*
- steel structures, including door and door frames	*139 516*	*98 337*
- galvanized banding steel and galvanized wire	*60 029*	*52 419*
-zinc	*935 272*	*935 041*
- alloys	*734 875*	*730 168*
- flotation galena	*66 296*	*64 108*
- suplhuric acid	*14 490*	*15 703*
- dolomite	*24 323*	*20 874*
- Zn-Pb-Ag concentrate	*-1 189*	*-3 237*
- refined lead	*105 091*	*107 568*
- Dore metal	*39 552*	*46 141*
- other products	*80 224*	*10 507*
- services	*96 135*	*41 063*
Net revenues from sales of products, total	**3 825 184**	**3 383 975**

NOTE 20b - NET INCOME FROM SALES OF PRODUCTS (TERRITORIAL STRUCTURE)	thousand x PLN	
	2018	2017
a) country	**2 069 606**	**1 999 568**
- transformer sheets	*46 828*	*33 179*
- toroidal cores	*7 082*	*5 805*
- steel sheets, hot-rolled and cold-rolled strips	*42 887*	*53 529*
- cold formed profiles	*371 530*	*399 808*
- road barriers	*98 012*	*78 519*
- steel structures, including door and door frames	*130 684*	*95 300*
- galvanized banding steel and galvanized wire	*35 348*	*32 188*
-zinc	*471 002*	*529 488*
- alloys	*625 104*	*633 285*
- suplhuric acid	*7 847*	*8 903*
- dolomite	*24 323*	*20 874*
- refined lead	*79 944*	*73 967*
- concentrate	*-1 189*	*-3 237*
- others	*45 130*	*7 187*
- services	*85 074*	*30 773*
b) export	**1 755 578**	**1 384 407**
- transformer sheets	*752 705*	*485 975*
- toroidal cores	*6 715*	*5 485*
- steel sheets and hot- and cold-rolled strips	*5 311*	*10 315*
- cold formed profiles	*171 333*	*169 938*
- road barriers	*28 298*	*22 729*
- steel structures, including door and door frames	*8 832*	*3 037*
- galvanized banding steel and galvanized wire	*24 681*	*20 231*
-zinc	*464 270*	*405 553*
- alloys	*109 771*	*96 883*
- flotation galena	*66 287*	*64 108*
- suplhuric acid	*6 643*	*6 800*
- Zn-Pb-Ag concentrate		
- refined lead	*25 147*	*33 601*
- Dore metal	*39 552*	*46 141*
- other products	*34 972*	*3 321*
- services	*11 061*	*10 290*
Net income from sales of products, total	**3 825 184**	**3 383 975**

NOTE 21a -Net revenues from sales of goods and materials (material structure – types of activities)	thousand x PLN	
	2018	2017
a) goods	*67 918*	*58 825*
b) technological waste	*36 154*	*33 261*
c) other materials	*27 432*	*25 029*
Net revenues from sales of goods and materials, total	**131 504**	**117 115**

NOTE 21b - Net revenues from sales of goods and materials (TERRITORIAL STRUCTURE)	thousand x PLN	
	2018	2017
1. country	**121 253**	**100 981**
a) goods	*67 918*	*58 825*
b) technological waste	*36 154*	*33 261*
c) other materials	*17 181*	*8 895*
2.) export	**10 251**	**16 144**
a) goods		
b) other materials	*10 251*	*16 144*
Net revenues from sales of goods and materials, total	**131 504**	**117 125**

NOTE 22 - Costs by type – cost of manufacture of products sold	thousand x PLN
	2018
1. amortization	**149 025**
2. consumption of materials and energy	**2 472 412**
3. external services	**318 377**
4. taxes and fees	**58 234**
5. payroll	**485 016**
6. social insurance and other benefits	**125 068**
7.other costs by type (due to)	**19 809**
a) business trips	*3 007*
b) property insurance	*4 867*
c) representation and advertising	*4 230*
d) trainings	*1 362*
e) other	*6 343*
Costs by type, total	**3 627 941**
Change in stocks, products and accruals	-74 822
Cost of manufacture of goods produced for own purposes (negative value)	-19 067
Internal rotation	-2 640
Selling costs (negative value)	**-80 276**
General and administrative costs	**-156 999**
Cost of manufacture of products sold	**3 294 137**

NOTE 23 - Other operating revenues	thousand x PLN	
	2018	2017
1. profit from transfer of non-financial fixed assets	**11 953**	**3 887**
2. reversed provisions (due to)	**6 454**	**25 727**
a) doubtful receivables	*353*	*136*
b) retirement benefits and payroll	*4 558*	*4 050*
c) predicted CO_2 emissions, energy origin certificates	*980*	
d) other provisions	*563*	*17 691*
e) revaluation of inventories		*3 850*
3. other, including:	**9 754**	**4 880**
a) payment of adjudicated court fees	*26*	*64*
b) revenues due to not collected payroll		
c) refund from the State Fund for Rehabilitation of the Disabled	*221*	*256*
d) received compensation	*1 042*	*573*
e) revenue from revaluation of fixed assets		
f) surplus in working capital	*216*	*220*
g) lease revenues	*282*	*293*
h) value of write-off to liabilities	*42*	*76*
i) revenues from surrendering CO2 emission allowances	*4 100*	
j) other	*3 825*	*3 398*
4. subsidies	**3**	**365**
Other operating revenues, total	**28 164**	**34 859**

NOTE 24 - Other operating costs	thousand x PLN	
	2018	2017
1. loss from transfer of non-financial fixed assets	**3 772**	**335**
2. revaluation of non-financial assets	**3 564**	**2 140**
3. reserves (due to)	**13 413**	**11 662**
a) doubtful receivables	*1 520*	*75*
b) bonus for clinics	*1 224*	*1 143*
c) landfill reclamation	*55*	*55*
d) compensations/damages	*343*	*2 174*
e) finished products value reduction	*2 596*	*1 471*
f) mining plant liquidation	*2 726*	*3 652*
g) employee benefits	*4 532*	*3 092*
h) reclamation of post-excavation areas	*417*	
i) energy origin certificates		
4. other, including:	**19 393**	**7 612**
a) donations and optional contributions	*1 066*	*988*
b) costs of court proceedings	*329*	*283*
c) penalties, fines, compensations	*506*	*1 952*
d) shortages in financial resources	*180*	*24*
e) value of written-off receivables		

f) value of fixed assets liquidation	*2 726*	*279*
g) cost of unutilized production capacity		*329*
h) costs of road barrier tests	*1 264*	*906*
i) lease costs	*1 394*	*1 578*
j) value of scrapped materials	*11 675*	
k) others	*253*	*1 273*
Other operating costs, total	**40 142**	**21 749**

NOTE 25 - Financial revenues	**thousand x PLN**	
	2018	**2017**
1. revenues due to interests	**10 559**	**9 245**
2. profit from transferred investments		**6 132**
3. exchange rate differences (the excess of negative over positive)	**12 946**	**50**
a) realized	*8 487*	*50*
b) unrealized	*4 459*	
4. released provisions, due to	**6 997**	**274**
a) interests	*742*	*274*
b) fulfilment of commitments due to the HRC Agreement	*6 255*	
5. other, including:	**38 634**	**13 083**
a) dividend received		*2*
b) balance-sheet valuation of investments	*2 802*	*12 969*
c) profit from bargain purchase	*19 749*	
d) adjusted purchase price of shares consolidated by equity method	*15 983*	
e) other	*100*	*112*
Financial revenues, total	**69 136**	**28 784**

NOTE 26 - Financial expenses	**thousand x PLN**	
	2018	**2017**
1. due to credits and loans	**13 712**	**12 554**
2. other interests	**958**	**537**
3. Loss on disposal of investments	**3 346**	
4. released provisions, due to	**514**	**331**
a) accrued but not paid interests	*514*	*331*
5. other, including	**1 477**	**27 502**
a) surplus of negative exchange rate differences over the positive ones	*1 313*	*26 495*
b) unrealised exchange rate differences	*164*	*1 007*
Financial expenses, total	**20 007**	**40 924**

NOTE 27 - Current and deferred income tax	**thousand x PLN**	
	2018	**2017**
1. Gross profit (loss)	349 004	347 474
2. Consolidation adjustments		-21
3. Differences between gross profit (loss) prior to income tax (by titles)	-57 544	-39 566
- companies' gross loss	*16 481*	*34 530*
- amortization of tangible and intangible deductible expenses	*-45 158*	*-56 412*
- donations and voluntary contributions	*925*	*842*
- provision for receivables	*-171*	*-1 056*

- release of provision for retirement benefits	-9 010	-12 538
- PFRON	5 295	5 079
- leasing instalment	-2 106	-2 248
- write-off from revaluation of inventories and long-term investments	-304	-1 471
- cost regarding provisions for retirement benefits	13 600	11 365
- costs of assets liquidation	114	-416
- cash and accounts balance sheet valuation	-9 455	-21 654
- social insurance for November and December '2017' and paid in January and February '2018'	-12 032	-11 642
- social insurance for November and December '2018' and paid in January and February '2019'	12 640	12 032
- costs of representation	1 969	1 709
- reconciliation of losses from previous years		
- dividends received	-36 649	53 811
- provision for claims	-1 249	-18 039
- other	7 566	-1 615
4. Taxable income	291 460	307 887
5. Income tax at the rate 19%	55 378	58 499
6. Tax increases, exemptions, deductions and abatements		
7. Current income tax disclosed in tax declaration for the period, including:	55 378	58 499
- disclosed in profit and loss account	64 352	72 046
8. Deferred income tax due to temporary differences	8 974	13 547

	thousand x PLN	
NOTE 28a - PROFIT (LOSS) NET	**2018**	**2017**
a) parent company net profit (loss)	125 048	100 054
b) subsidiary companies net profit (loss)	222 455	269 661
c) consolidation adjustments	-82 600	-94 287
d) profit from bargain purchase	19 749	
Profit (loss) net	**284 652**	**275 428**

NOTE 28 b - PROFIT SPLIT

Net profit for the financial year 2017 amounting of 100,054,032.62 PLN:
- reserve capital 83,313,231.62
- dividend 16,740,801.00.

Proposals for allocation of net profit for the reporting period in the amount of 125,047,737.82 PLN:
- reserve capital 97,146,402.82
- dividend 27,901,335.00.

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. Profit (loss) for one ordinary share was PLN 51.01.

3. 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 2018 and comparable period was estimated and presented in the following tables (in thous. PLN):

Itemization 2018	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	Total Consolidated Value
Segment Revenues	813 330	738 259	2 012 301	392 798	3 956 688
Domestic	53 910	533 317	1 274 875	339 008	2 201 110
Export	759 420	204 942	737 426	53 790	1 755 578
Segment Costs	704 927	737 221	1 674 485	371 231	3 487 864
Segment Result	**108 403**	**1 038**	**337 816**	**21 567**	**468 824**
Other Operating and Financial Revenues Non-Attributable to the Segment					97 023
Other General, Operating and Financial Costs Non-Attributable to the Segment					216 843
Gross Profit					**349 004**
Income Tax					64 352
Net Profit					**284 652**
Segment Assets	982 533	791 892	2 169 969	382 579	4 326 973
Assets Non-Attributable to the Segment					30 398
Total Assets					4 357 371
Liabilities	294 628	299 193	659 829	109 766	1 363 416
Contingent Liabilities					296 115
Total Liabilities					1 659 531
Investment Outlays	7 530	2 638	186 045	34 519	230 732
Depreciation	33 643	17 231	80 489	17 662	149 025

Itemization 2017	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
Domestic	38 983	533 496	1 341 815	202 389	2 116 683
Export	491 460	202 982	663 376	26 589	1 384 407
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
Liabilities	183 194	266 501	868 422	87 857	1 405 974
Contingent Liabilities					296 115
Total 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

7. Financial instruments and risk management assessment

Characteristics of financial instruments and rules of their valuation

Under IFRS 9 a Financial Instrument is any contract that gives rise to a financial asset in one entity and a financial liability or an equity instrument in another. Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised from the accounting books when the rights to receive cash flows from financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

The main financial instruments used by the Group include bank credits and short-term deposits, as well as derivative instruments recognized in accordance with the hedging policy. The main purpose of these instruments is to raise funds for business activities and to hedge cash flows. The companies also have other financial instruments, such as cash, trade

payables that arise directly in the course of their operations and long-term loans. In addition, the Companies hold shares in other entities, which constitute long-term investments.
Financial instruments at the time of entry into accounting books are measured at a cost (purchase price), which is the fair value of the payment made. Transaction costs directly attributable to the transaction are recognized at the initial cost of the financial instruments.
After initial recognition at fair value, financial instruments are classified into one out of three categories and measured as follows:

1) financial instruments measured at amortised cost,
2) financial instruments measured at fair value, and revaluation gains/losses are recognized in profit or loss.
3) financial instruments valued at the fair value through financial result.

Re 1) Financial instruments measured at amortised cost using the effective interest rate method to calculate interest. These instruments are held to maturity and include investments with fixed or determinable payments and fixed maturity that the company intends and has the ability to hold to maturity (receivables, loans). Impairment losses are recognised in accordance with the accounting policy and presented in a note to the financial statements.
Trade credit risk is mitigated by actions related to the selection of counterparties with good creditworthiness, setting credit limits for them, payment hedging policy and their ongoing monitoring in accordance with the applicable procedures. Therefore, the exposure of the Capital Group companies to the risk of bad debts is insignificant. Credit risk should be properly assessed by making appropriate bad debt provisions in the books.
The Company and entities from the capital group classify customers into risk groups on the basis of the adopted classification, based on the adopted methods of division into risk groups. Groups determine the level of risk from low (group 10) to the highest (group 0). Write-offs on items measured at amortised cost are determined on the basis of historical data according to the division into groups, grouped probability of credit risk and past customer behaviour.

Re 2) Financial instruments measured at fair value, and revaluation gains/losses are recognized in profit or loss. The method of valuation is applied in the case of financial assets whose cash flows constitute only payments from capital and interest, are maintained in order to collect contractual cash flows and for the purpose of sale, and which are measured at fair value. Interest income on such financial assets is calculated using the effective interest rate method. Impairment losses are recognised in accordance with the adopted accounting principles.

Re 3) Financial assets valued at the fair value by financial result. Assets that do not meet the criteria to be measured at amortised cost (item 1) and at fair value by other income (item 2) are measured by profit or loss. Gains or losses on fair value measurement of investments are recognized in profit or loss. These include trade receivables subject to factoring for liquidity management purposes when the terms of a factoring contract result in the discontinuation of the recognition of receivables or loans that do not meet the SPPI test.

A financial instrument is derecognised from the balance sheet when the entity loses control over the contractual rights constituting the financial instrument; this is usually the case when the instrument is sold or when all cash flows attributable to the instrument are transferred to an independent third party.

As at each balance sheet date, the Company assesses whether there are objective premises for impairment of a given component of financial assets or a group of financial assets. Such indications include, but are not limited to, serious financial difficulties of the debtor, the disappearance of an active market for a given financial instrument, adverse changes in the economic, legal and market environment of the issuer of a financial instrument, and persistence of a significant decline in the fair value of the instrument. When such evidence exists, the impairment loss should be estimated and an impairment loss should be recognized.

Derivative financial instruments are initially recognized in the books at cost and then measured at fair value. Changes in the fair value of derivative financial instruments are recognized immediately in the statement of total income, as the Parent Company does not use instruments that would qualify as hedge accounting. The Group companies, on the other hand, due to the specific nature and nature of their business model use hedge accounting.

The financial instruments used by the Parent Company are forward currency contracts related to sales and purchase contracts. The Company also occasionally uses forward currency contracts and currency options to protect against currency risk. Fair value of derivatives traded on regulated markets and securities available for sale is determined on the basis of quoted market prices as at the balance sheet date.

In order to estimate the fair value of derivatives whose prices are not quoted on regulated markets and other financial instruments, the Companies apply various methods and assumptions based on market conditions prevailing at each balance sheet date. Normally, market quotes or dealers' quotes are used for specific or similar instruments. Other techniques, such as option pricing models or the discounted value of future estimated cash flows, are used to determine the fair value of other instruments.

The main types of risk arising from financial instruments are interest rate risk, liquidity risk, credit risk and currency risk.

As regards foreign currency receivables and liabilities, the Parent Company uses hedging against natural currency risk, as sales in particular currencies are offset by purchases, any open position (short or long) closes within two to three weeks and its value is insignificant in relation to total turnover. Given the stable financial situation and the predominance of financing with own funds and trade liabilities, the liquidity risk is low. The Company's objective is to maintain a balance between continuity and flexibility of financing by the selection and use of various sources of financing.

The purpose and policy of risk management and measurement methods.

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

The main assumption of the ZGH "Bolesław" S.A. strategy with respect to hedging is to reduce the sensitivity of revenues to a decrease in the price of zinc, lead and silver and the USD exchange rate. The smaller the level of security for the Company's exposure, the more sensitive it is to price drops. The lack of hedge results in full discovery of the change in the exchange price of zinc, lead, silver and the exchange rate of the dollar, and in the event of a drop in the price to the level below the break-even point, significant losses, difficult to cover from any funds, especially in the period of longer maintenance of the low price level.

The strategy of ZGH "Bolesław" S.A. is based on the use of financial instruments offered by banks and allowing to hedge prices on the commodity market and exchange rate on the currency market. ZGH "Bolesław" S.A. uses hedging consisting in the transfer of risk through the use of short hedge method, which provides protection against the drop of metal prices and USD exchange rate. The derivatives used differ according to the type of market risk being hedged.
The main risks associated with the operations of the Capital Group companies are as follows:
a) credit and contractual risk,
b) liquidity risk,
c) market risk, including:
- interest rate risk,
- currency risk,

Credit and contractual risk
The credit risk in the Company is limited by the current examination of the creditworthiness of the counterparties, by accepting appropriate collaterals (bank guarantees, letters of credit, bills of exchange, sureties) and by constant monitoring of overdue receivables. For the purpose of ongoing control, the sales and finance departments are required to apply the rules set forth in the credit and debt recovery procedures. These procedures determine the

selection of counterparties, setting credit limits and the procedure in case of overdue receivables.

In order to perform a classification test for the purposes of IFRS 9, to determine the ratio of non-performance of liabilities and forecast the amount of the allowance for receivables, an analysis of turnover with customers was carried out in the period from January to December 2018. The Company conducts a credit risk management policy based on the Credit Procedure, which defines the rules for granting credit limits. In the process of risk identification, customers are assigned to a specific group determining its level, and if the level is too low to accept the limit applied for, negotiations are undertaken in order to obtain hedge.

In accordance with the adopted criteria for classifying customers into risk groups, based on the financial standing, the analysed ratios are assigned (in accordance with the matrix) points. The sum of points determines the customer's qualification to one of the ten risk groups as in the table below:

Risk group	Subgroup	The sum of points from ... to		Rating for customers in the zinc segment	Risk level
I	10	60	58	AAA	none
	9	57	54	AA	low
	8	53	51	A	low
	7	50	48	BBB	low
II	6	47	45	BB	average
	5	44	40	BB	average
	4	39	35	B	average
III	3	34	30	CCC	average
	2	29	20	CC	significant
	1	19	14	C	significant
	0	13	0	D	insolvency

Group's share in balances of receivables from operating segments as at 31.12.2018					
Segment	**Group I**	**Group II**	**Group III**	**Others**	**Total**
Electrotechnical sheets	59%	25%	16%	0%	100%
Profiles	31%	34%	29%	6%	100%
Zinc	100%	0%	0%	0%	100%

Group's share in sales revenues of operating segments in 2018					
Segment	**Group I**	**Group II**	**Group III**	**Others**	**Total**
Electrotechnical sheets	58%	29%	13%	0%	100%

Profiles	56%	24%	16%	5%	100%
Zinc	100%	0%	0%	0%	100%

Due to the consistent credit risk management policy, the predominant share in the balance of receivables and sales of low risk groups I and II, maintaining a high level of security for the granted limits and the lack of significant write-downs in previous periods, the amount of the write-down calculated on the basis of the calculated ratio of non-performance of liabilities is insignificant in relation to the scale of the Company's business. The amount exposed to risk is equal to the balance sheet value of short-term receivables increased by the issued guarantees and sureties, fair value of derivative instruments transactions and adjusted by accepted hedges, as well as receivables from related companies. This amount amounts to PLN 602 949 thousand. It should be noted that the average value of the overdue receivables ratio for the parent company (excluding subsidiaries) for 12 months 2018 (calculated as the ratio of overdue receivables to the total balance of trade receivables) for the Company amounts to 8.0%. Despite a slight increase in as compared to 2017 (5.3%), the ratio of overdue receivables remaining below 10% is the result of a consistent conservative policy of managing receivables and credit risk.

THE HEDGINGS ADOPTED			thousand x USD/EUR/PLN					
			2018			2017		
No.	Hedging type	Risk type	Amount	Currency	PLN	Amount	Currency	PLN
1	Bank guarantees and letters of credit	credit /contractual	417	PLN	**417**	908	PLN	**908**
2	Bank guarantees and letters of credit	credit /contractual	4 140	EUR	**17 802**	3 474	EUR	**14 490**
3	Bank guarantees and letters of credit	credit/contractual	7 826	USD	**29 423**	7 546	USD	**26 270**
4	Sureties	credit/contractual	3 499	PLN	**3 499**	899	PLN	**899**
5	Sureties	credit/contractual	15 130	EUR	**65 059**	14 950	EUR	**62 355**
6	Sureties	credit/contractual	0	USD	**0**	1,500	USD	**5 222**
7	Pledges and mortgages	credit/contractual	5 039	PLN	**5 039**			
8	Pledges and mortgages	credit/contractual	500	EUR	**2 150**			
	Total value of securities in PLN				**123 389**			**110 144**

It should be stated that the majority of recipients of Capital Group companies are clients with whom there has been a continuous cooperation for many years. At present, the companies do not have any restructured receivables, i.e. receivables towards the customers with whom it has agreed to postpone payment. Taking into consideration the above, the credit quality of the trading book should be described as good.

Ageing of receivables is presented in the explanatory notes describing the balance sheet items No. 6d and 6e.

Contractual risk arises when a contract for the sale of goods under specified delivery conditions is concluded with the customer, which results in a liability on the part of the supplier towards the counterparty to release a given batch of goods, but, at the same time, to fulfil this liability the supplier must commence the production before full payment is made. The resulting situation is followed by the risk being borne by the supplier that the finished goods will not be collected by the counterparty.

The contractual risk occurs in the Companies generally only in the case of accepting orders for non-standard products and is assessed by the person accepting the order. It is limited by accepting appropriate securities, either by accepting partial or full prepayment for the ordered goods, before commencing production.

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 31.12.2018 the following data were provided in the Consolidated Balance Sheet:

loans granted – PLN 20 000 thousand,

cash – PLN 472 586 thousand,

long-term credits and loans – PLN 150 839 thousand,

short-term credits and loans – PLN 160 869 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	
	2018	2017
Exchange rate increase by 50 basis points		
Impact on the gross result	904	1 055
Exchange rate decrease by 50 basis points		
Impact on the gross result	-904	-1 055

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 31.12.2018, 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	
	2018	2017
PLN STREANGTHENING to USD & EUR by 5%		
Impact on gross result	11 284	15 292
PLN WEAKENING to USD & EUR by 5%		
Impact on gross result	-11 284	-15 292

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 31.12.2018			PLN thousand		
Cash Flow Hedging	forward	$182 719 200,00	-10 838	-10 838	risk from USD/PLN exchange rates
Cash Flow Hedging	forward	€ 2 400 000,00	561	561	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 31.12.2018 (zinc)			PLN thousand		
Cash Flow Hedging	swap	19 225	16 419	16 419	Price Change Risk Zn LME in PLN
Cash Flow Hedging	swap in USD	56 950	71 230	71 230	Price Change Risk Zn LME in USD
Cash Flow Hedging	Option strategies (collar)	10 000	4 852	4 346	Price Change Risk Zn LME
Cash Flow Hedging	put	5 000	5 951	4 346	Price Change Risk Zn LME
Cash Flow Hedging	call	5 000	-1 099	0	Price Change Risk Zn LME
Active commodity hedging instruments as of 31.12.2018 (lead)			PLN thousand		
Cash Flow Hedging	swap	3 350	3 785	3 785	Price Change Risk Pb LME in PLN
Cash Flow Hedging	swap in USD	0	0	0	Price Change Risk Pb LME in USD
Cash Flow Hedging	Option strategies (collar)	2 400	1 763	1 692	Price Change Risk Pb
Cash Flow Hedging	put	1 200	1 817	1 692	Price Change Risk Pb
Cash Flow Hedging	call	1 200	-54	0	Price Change Risk Pb
Active commodity hedging instruments as of 31.12.2018 (silver)			PLN thousand		
Cash Flow Hedging	swap	0	0	0	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. 94 300 tons

- Lead - approx. 14 200 tons
- Silver - approx. 461 000 Ozs
- Currency - approx. USD 309 000 000

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

Currency exposure is closely connected with the price levels of metals (original exposure) and may be subject to fluctuations in case of their changes. Apart from the metal prices, currency exposure contains premiums achieved on the market when selling zinc, zinc alloys, and led. The above mentioned exposures are based on budget estimations for 2019, i.e. $2500 LME Zn, $2000 LME Pb, $14/ozs LBM.

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	
	31.12.2018	31.12.2017
Long-Term investments	68 499	37 636
Short-Term Investments	103 418	118 499
TOTAL, including:	**171 917**	**156 135**
a) valuation of derivative transactions	118 042	84 335
b) securities	53 875	71 800

Explanation Referring to the Item: Liabilities (Payables) in respect of:	PLN thousand	
	31.12.2018	31.12.2017
Contracts for Hedging Transactions	15 362	79 331
Conclusions of Currency Option Transactions	13 954	187 043
Adjustment by the amount of settlements with brokers in respect of the finalized transactions	-1 089	-14 719
TOTAL	**28 227**	**251 655**

Valuation of Derivative Transactions	PLN thousand			
	31.12.2018		31.12.2017	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Commodity Transactions - Zinc	100 939	5 749	4 510	242 112
Commodity Transactions - Lead	5 602	54	1 459	9 543
Currency Transactions - USD/PLN EUR/PLN	11 501	22 424	78 362	0
Commodity Transactions- Silver	0	0	4	0
Total	**118 042**	**28 227**	**84 335**	**251 655**

Securities	PLN thousand	
	31.12.2018	31.12.2017
Obligacje Skarbu Państwa	**0**	**9 974**
Obligacje Skarbu Państwa FL	**3 908**	**3 702**
Shares in Investment Funds	**49 967**	**58 122**
- Płynnościowy plus	962	1 147
- BPH TFI	0	0
- Quercus	0	17 884
- Quercus Ochrony Kapitału FL	0	1 048
- Unikorona Pieniężny	10 070	15 518
- Unikorona Pieniężny FL	0	6 304
- UNILOKATA FL	0	966
- Unilokata	0	0
- Unioszczędnościowy FL	4 253	0
- Unioszczędnościowy	10 108	0
- Papiery Skarbowe FL	9 383	0
- Unikatywny Pieniężny	15 191	11 150
- Unikatywny Pieniężny FL	0	4 105
Total	**53 875**	**71 798**

Division of Hedging Instruments	PLN thousand			
	31.12.2018		31.12.2017	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Hedging Instruments	**114 274**	**26 501**	**79 112**	**247 735**
Commodity Transactions - zinc	*97 568*	*5 067*	*2 228*	*238 192*
Commodity Transactions - lead	*5 602*	*54*	*1 459*	*9 543*
Currency Transactions - USD/PLN, EUR/PLN	*11 104*	*21 380*	*75 421*	*0*
Commodity Transactions - Silver	*0*	*0*	*4*	*0*
Trade Instruments	**3 769**	**1 726**	**5 223**	**3 920**
Commodity Transactions- zinc	*3 371*	*682*	*2 282*	*3 920*
Commodity Transactions - lead	*0*	*0*	*0*	*0*
Currency Transactions - USD/PLN, EUR/PLN	*398*	*1 044*	*2 941*	*0*
Commodity Transactions - silver	*0*	*0*	*0*	*0*
Total	**118 043**	**28 227**	**84 335**	**251 655**

Financial Report Presentation of Applied Derivative Instruments

Derivative Transactions Presented in the Profit and Loss Account:	PLN thousand	
	31.12.2018	31.12.2017
Sales of Products Adjustment	*-68 173*	*-154 350*
Sales of Goods Adjustments	*0*	*0*
Revaluation of Investments	*2 438*	*11 960*
Gains/Loss on Sale of Investments	*-3 345*	*5 803*
Total	**-69 080**	**-136 587**

Cash Result from Reconciliation of Derivative Instruments:	PLN thousand	
	31.12.2018	31.12.2017
Commodity Transactions	*-103 654*	*-178 757*
Currency Transactions	*19 707*	*34 331*
Total	**-83 947**	**-144 426**

Sales of Products Adjustment Related to Application of Hedging Instruments:	PLN thousand	
	31.12.2018	31.12.2017
Sales Increase	*45 252*	*54 078*
Sales Decrease	*-113 425*	*-208 428*
TOTAL	**-68 173**	**-154 350**

Status of Capital from Revaluation Related to Application of Hedge Accounting (excluding Deferred Tax)	PLN thousand	
	31.12.2018	31.12.2017
Valuation of Open Hedging Instruments:	**87 195**	**-167 502**
- Zn	*91 995*	*-234 869*

- Pb	*5 477*	*-8 058*
- USD/PLN	*-10 838*	*73 535*
- Ag	*0*	*4*
- EUR/PLN	*561*	*1 886*
Result from the Application of Hedging Instruments Capital-Retained until the Realization of the Hedged Item:	**-407**	**-2 107**
- Zn	*-407*	*-1 914*
- Pb	*0*	*-193*
- USD/PLN		*0*
TOTAL	**86 788**	**-169 609**

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 2018, 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	
	2018	**2017**
Debt	*360 635*	*337 032*
Cash	*-472 586*	*-498 037*
Net Debt	*-111 951*	*-161 005*
Equity	*2 699 840*	*2 235 668*
Net Debt Relation to Equity	**-4,15%**	**-7,20%**

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 49.36 in 2017 to PLN 51.01 in 2018.

Changes in equity for the years 2017 and 2018 are presented in the "Statement of changes in equity," which forms an integral part of the annual consolidated financial statements.

In 2018, 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 0.62.

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 94.92 % 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 2018	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-MB sp. z o.o.	31	1 433	761	4 637
Stalprodukt-Wamech sp. z o.o.	141	2 556	1 353	9 802
Stalprodukt-Centrostal sp. z o.o.	54	3 378	166 119	26 303
Stalprodukt-Serwis sp. z o.o.	77	1 246	686	5 532
Stalprodukt-Zamość sp. z o.o.	1 529	85	5 897	662
Stalprodukt-Ochrona sp. z o.o.	23	740	211	3 589
STP Elbud sp. z o.o.	291	4 055	2 951	28 560
Anew Institute sp.z o.o.		384		208
ZGH „Bolesław" S.A.		20		336
Cynk-Mal S.A.	5 390		32 350	10 277
GO Steel Frydek Mistek a.s.	45 193	7 162	207 249	20 356

Moreover, in 2018 some transactions were also finalized with the entities in which the Company holds shares: Stalnet Sp. z o.o.- sales PLN 667 thousand, costs PLN 324 thousand; receivables PLN 5 thousand, liabilities PLN 33 thousand; Stalprodukt-Profil S.A. sales PLN 632 thousand, receivables PLN 31 thousand. Under the contract to perform a specific task, the balance towards F&R Finanse Sp. z o.o. amounts PLN 12 804 thousand. These were typical market transactions.

Items 2017	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-MB sp. z o.o.	27	1 789	123	1 147
Stalprodukt-Wamech sp. z o.o.	133	2 118	333	3 371
Stalprodukt-Centrostal sp. z o.o.	64 631	178	83 414	234
Stalprodukt-Serwis sp. z o.o.	74	1 249	176	1 578
Stalprodukt-Zamość sp. z o.o.	80	103	191	132
Stalprodukt-Ochrona sp. z o.o.	22	762	55	958
STP Elbud sp. z o.o.	383	4 331	715	7 075
Anew Institute sp.z o.o.		68		331
ZGH „Bolesław" S.A.		10		30
Cynk-Mal S.A.	7 196		6 909	2 797

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. Under the contract to perform a specific task, the balance towards F&R Finanse Sp. z o.o. amounts PLN 12 804 thousand. These were typical market transactions.

10. Changes in the Issuer's Ownership Structure

In comparison to 2017, constituting a comparable period to this consolidated financial statement, the following changes occurred in the structure of the Issuer's Capital Group:

1. There was an increase in the share in the capital ZGH "Bolesław" S.A. to 94.92% at the end of 2018 against 94.59% at the end of the comparative period. The increase took place as part of the purchase of employee shares of ZGH "Bolesław" S.A. and due to the acquisition of 56.192 shares from the State Treasury for PLN 1,339,055.36, i.e. PLN 23.83 per share.
2. On 28 February 2018, the purchase of 100% shares of GO Steel Frydek Mistek a.s. with its registered office in the Czech Republic was closed. 1 March 2018 was determined to be the day of the acquisition of control. From that moment, the Company is fully consolidated.
3. On 16 January 2018, the Extraordinary General Meeting of Shareholders of PRD Olkusz S.A. adopted the Resolution No. 3 on compulsory purchase of shares. Payment of the price of PLN 23.7 thousand was made on 4 June 2018. As a result, the share of Boltech Sp. z o.o. increased to 100%.
4. As part of the analysis of dependencies in the Capital Group, it was determined that there is evidence related to obtaining significant influence over Stalnet Sp. z o.o. (the number of shares held has not changed, and a significant effect was achieved as a result of the redemption of shares, some shares held by other shareholders). As a result, the entity was consolidated using the equity method. In previous statement periods, the shares in the entity were recognized as long-term investments.

In the structure of the Issuer's Capital Group, no other mergers, acquisition or sale of units, long-term investments, division, restructuring or discontinuance of an operation occurred, except for those mentioned in this statement.

11. Other information

Differences between the annual statement and the QSr_4/2018 report

SPECIFICATION	thousand x PLN		
	there was	there is	difference
Profit and loss account			
I. Sales revenue	*3 956 688*	*3 956 688*	*0*
II. Cost of sold products, goods, and materials	*3 404 821*	*3 407 588*	*2 767*
. Sales profit	*315 308*	*311 825*	*-3 483*
IV. Operating profit	*307 134*	*299 847*	*-7 287*
V. Gross profit	*356 312*	*349 004*	*-7 308*
VI. Net profit	*289 568*	*284 652*	*-4 916*

Balance			
I. Fixed assets	**2 318 517**	**2 313 530**	**-4 987**
1. Intangible assets	*144 426*	*143 482*	*-944*
2. Tangible fixed assets	*2 000 482*	*1 996 325*	*-4 157*
3. Long-term investments	*99 505*	*98 839*	*-666*
4. Long-term prepayments and accruals	*73 474*	*74 254*	*780*
II. Current assets	**2 042 186**	**2 045 841**	**3 655**
1. Stock	*797 809*	*799 798*	*1 989*
2. Receivables	*629 413*	*631 786*	*2 373*
3. Short-term investments	*596 005*	*596 005*	*0*
4. Short-term prepayments and accruals	*18 959*	*18 252*	*-707*
Total assets	**4 360 703**	**4 359 371**	**-1 332**
I. Equities	**2 705 418**	**2 699 840**	**-5 578**
II. Liabilities and provisions	**1 655 285**	**1 659 531**	**4 246**
Total equity and liabilities	**4 360 703**	**4 359 371**	**-1 332**

Other data necessary to prepare the consolidated financial statement refer to the following exclusions and adjustments:

SPECIFICATION	**thousand x PLN**	
	2018	**2017**
shares	510 859	354 886
intangible assets	13 891	18 816
fixed assets	49 111	74 423
stock	0	20
investment properties	62 974	93 239
receivables and liabilities	74 849	87 238
revenue from the sale of goods	441 771	372 014
revenue from the sale of products	125 296	96 604
the value of goods sold	441 771	353 089
cost of manufacture of products sold	123 295	112 876
cost of sales	2 002	2 634
interest	749	32
loans	6 500	7 110
dividend	98 612	94 266
bargain purchase profit	19 749	
adjusted purchase price of consolidated shares using the equity method	15 984	

Events related to previous years included in the consolidated financial statement of the ZGH Bolesław S.A. Capital Group:

- In connection with the return of excise tax on electricity for 2016 in the parent company ZGH Bolesław S.A., the consolidated financial statement includes the result from previous years in the amount of PLN 988 thousand,
- In May 2018, after performing warehouse statistics, it turned out that the stock and financial result in one of the units of the ZGH S.A. Capital Group was overstated at the end of 2017 by PLN 2 683 thousand. In connection with this situation, the stock in this unit was adjusted and the CIT for 2017 was adjusted.
- A consolidation adjustment was made on account of derecognition of the valuation using the equity method concerning F&R Finanse in the amount of PLN 666 thousand.
- Minority capital in PRD Sp. z o.o. was adjusted by PLN 142 thousand.

Fundamental errors adjustments

Corrections of fundamental errors are described in the introduction (investment property and capital works).

Joint ventures with other entities

Within the framework of the project from the area of renewable energy sources, the construction of a prototype of innovative wind turbine with a vertical axis of rotation, with a capacity of 1.5 MW, was carried out. The project was co-financed by the National Centre for Research and Development within the framework of the pilot project *Support for scientific research and development on the demonstration scale DEMONSTRATOR+.* The relevant contract was signed in December 2013 and the planned completion date of the project according to the contract no. UOD-DEM-1-153/001 and later Annexes is 30.06.2018.
The total amount of the grant is PLN 12,539,923.

Within the consortium (which, apart from the Company, includes the AGH University of Science and Technology in Kraków and ANew Institue Sp. z o.o.), concluded with the contract of 10 December 2013 on the execution and financing of the above-mentioned project, in 2018 works were carried out related, among others, to

- construction of power plant elements (wings, pylons, tower, central node, main shaft, control room, inverter);
- obtaining a building permit for a power plant and a cable line;
- execution of construction works (preparation of the assembly site, execution of the access road to the assembly site, execution of the foundation, execution of the cable line to the TAURON network supplying the power plant);
- purchase of the generator, installation of the generator on the foundation and test run of the generator;

- assembly of the tower and construction of the above-mentioned elements of the power plant on the tower
- construction of a container with power electronics;
- preparing the power plant complex for commissioning;
- run of the power plant.

Remuneration of managing and supervising persons

1. Remuneration, including awards, paid to managing and supervising persons in the parent company amounted to PLN 3 792 thousand in 2018 and PLN 3 794 thousand in 2017, including the remuneration of the Management Board respectively: PLN 3,473 and PLN 3 393 thousand and the remuneration of the Supervisory Board PLN 319 thousand and 401 thousand.
2. The remuneration of the Company's managing and supervising persons for performing functions in the governing bodies of subsidiaries amounted to PLN 397 thousand in 2018, including: managing persons PLN 340 thousand and supervising persons PLN 57 thousand, while in 2017 – PLN 340 thousand, including managing persons PLN 246 thousand and supervising persons PLN 94 thousand.

Settlement of the purchase price of GO Steel Frydek Mistek a.s.

The settlement of the purchase price was prepared on the basis of IFRS 3 "Business Combinations".

Identification of business combinations

Acquiring entity: Stalprodukt S.A. with its registered office at ul. Wygoda 69; 32-700 Bochnia,

Acquiree: Go Steel Frydek Mistek a.s. z siedzibą: Míru 3777, Frýdek, 738 01 Frýdek-Místek, Czech Republic.

Acquisition day: On 15 December 2017 in Prague a sales contract was signed between ArcelorMittal S.A. and Stalprodukt Spółka Akcyjna. The subject of the contract was the purchase of 100% of shares in GO Steel Frydek Mistek a.s., which consisted of 20 shares with the nominal value of CZK 100 000 and 20 shares with the nominal value of CZK 60,700,000. The contract was conditional. The conditions necessary for its implementation were obtaining consents from antitrust authorities from Turkey, Austria and Germany. On 16 February 2018, the last required consent was obtained. According to the contract, if the conditions are fulfilled before the 20th day of a given month, the last day of a given month is taken as the closing date. Hence, the transaction closing date (payment and transfer of shares) was 28 February 2018. The date of the acquisition of control was adopted on 1 March 2018, as the day from which the flow of economic benefits changes.

Purchase price

It was determined in accordance with § 4.1 of the Contract of 15 December 2017 as:

1. Initial purchase price: EUR 32 000 000
2. Actual cash less actual debts: CZK 44 608 000
3. The difference between the actual working capital and the amount of CZK 355 000 000: (- 21 334 000) CZK
4. Earn-out component*: EUR 3 500 000
5. Contract concluded for the supply of HRC**: EUR 4 500 000

This amount has been increased by the costs of handling the acquisition transaction, mainly related to obtaining approvals from antimonopoly offices in the amount of: PLN 363,074,15. The adjustment of the purchase price settlement is in accordance with the provisions of §45 and §46 of IFRS 3. The standard allows for verification of settlements. The Company verified the recognition of transaction costs in the settlement of the purchase price. These costs were included in the costs of the period.

The total purchase price thus determined was: **PLN 170.9 million.**

* The Earn-out price component means the seller's right to a 50% share of the result above the EBITDA target for the transaction over a period of 4 consecutive years, provided that the total payment cannot exceed EUR 3 500 000. This amount is a contingent liability. A provision was created for the entire amount.

** The contract concerns the Issuer's obligation to purchase additional 50 000 tonnes of hot-rolled sheet metal annually for a period of 3 years, on market terms not deviating from the standard conditions of purchase. This value was estimated by the Seller. A provision was created for the entire amount.

Recognition and valuation of identifiable assets acquired, liabilities assumed and non-controlling interests in the acquiree

With respect to the settlement of the merger with Go Steel Frydek Mistek a.s. The Company informs that the assets and liabilities adopted as at the acquisition date were measured at fair value. The amount of the identified acquired assets of the acquired liabilities was determined on the basis of the financial statements as at 28 February 2018 prepared by the acquired entity.

On 27 November 2017, by a notarial deed (signed in the office in Ostrava, Moravian Ostrava, Milicova 1670/12), the organised part of the Arcellor Mittal Ostrava a.s. enterprise was transferred in kind (partial division) in exchange for shares issued (subsequently subject to a *Share Sale and Purchase Agreement SPA*). The value of the contribution in kind amounted to CZK 1,214,000,000 (in full: one billion two hundred and fourteen million Czech koruna) and was determined on the basis of expert's report no. 214-09/2017 prepared by PricewaterhouseCoopers Czech Republic, s.r.o., IČ (REGON): 610 63 029, with registered office at Hvězdova 1734/2c, Nusle, 140 00 Praha 4, entered in the commercial register kept by the Municipal Court in Prague, ref. no. C 43246J. Additionally, the agreement concluded on 15 December 2017 (*Share Sale and Purchase Agreement* SPA*)* between the seller of Arcellor Mittal S.A. with its registered office in Luxembourg and the Issuer, in the section "Assurances", specified the Seller's liability for impairment of assets in the period between the date of signing the agreement and the closing of the transaction.

ASSETS	**28 February 2018 thousand x CZK**	**28 February 2018 thousand x PLN**
Tangible fixed assets	843 381	138 363
Stock	530 387	87 014
Short-term receivables	244 473	40 107
Short-term investments	44 608	7 318
including: - cash	*44 608*	7 318
Short term prepayments and accruals	1 858	305
TOTAL	**1 664 707**	273 107
EQUITY AND LIABILITIES	**28 February 2018 thousand x CZK**	**28 February 2018 thousand x PLN**
Provisions for liabilities	25 243	4 141
Short-term liabilities	476 880	78 235
TOTAL	**502 123**	82 377
Net asset value	**1 162 584**	**190 730**

Non-controlling interests: none

Net asset value: CZK 1 162 584 000 i.e. **PLN 190.7 mln.**

Recognising and measuring goodwill or a gain from a bargain purchase

Goodwill was determined pursuant to §32 of IFRS 3. This value is measured as the excess of the sum:

a) Transfer payment,
b) Value of non-controlling interests,
c) The fair value of the acquired and held shares in the acquired entity determined as at the acquisition date,
More than
d) Net amount of identified and acquired assets and assumed liabilities

Goodwill is determined by means of a formula: Goodwill = a+b+c-d

Transfer payment: measured at fair value calculated as the sum of the acquisition-date fair values of the assets transferred by the acquiring entity and the liabilities incurred by the acquiring entity to the former owners.

The amount determined on the basis of the formula as above assumed a negative value. Negative result means profit on bargain purchase in the amount of PLN **19.7 mln.**

Disclosures

IFRS 3 requires the acquiring entity to disclose information that enables users to evaluate the nature and financial effects of the business combination achieved:

- in the current reporting period, or
- after the end of the reporting period but before the financial statements are authorised for issue.

Bargain purchase profit constitutes the financial revenue of the period for the consolidated financial statement. The adjustment of the purchase price settlement is in accordance with the provisions of §45 and §46 of IFRS 3. The standard allows for verification of settlements. The Company verified the extent to which the acquisition cost of the transaction was not recognised in the settlement of the purchase price. These costs were included in the costs of the period.

Events after the balance sheet date

After 31.12.2018, apart from the information contained in this report and in the report of the Management Board of the parent company, no other events not included in the consolidated financial statement for 2018 occurred, which could significantly affect the situation in the Group and its future financial results.

Other information

1. In 2018, the Stalprodukt Capital Group did not discontinue any activities of any kind.

2. In the reporting period, the Group incurred capital expenditures in the amount of PLN 230 732 thousand. Including the amount of PLN 114 705 thousand for environmental protection. The planned capital expenditures for 2019 will amount to approximately PLN 334 285 thousand. Capital expenditures will be used to finance property, plant and equipment.

3. In the reporting year, the Group did not carry out any joint ventures with other entities, except for those mentioned in item 12 of this statement "Other information - joint ventures with other entities".

4. Average employment:

   - in 2018 the total number of employed persons was 6 481.

   - in 2017 the total number of employed persons was 6 088.

5. Neither the Parent Company nor its subsidiaries granted advances, credits, loans, guarantees and sureties to members of the Management Board and Supervisory Board, except for loans from the Company Social Benefits Fund.

6. The remuneration of the auditing company amounted to:
   - for the review of the half-yearly separate financial statement - PLN 18,000;
   - for the review of the half-yearly consolidated financial statement - PLN 18,000;

   In addition, the price for the audit of the annual financial statements will be:
   - separate financial statement - PLN 45,000;
   - consolidated financial statement - PLN 22,000.

7. The bankruptcy and composition proceedings in progress include the Group's receivables for the total amount of PLN 4 976, of which PLN 743 thousand falls to Stalprodukt S.A. and PLN ZGH "Bolesław" S.A. PLN 4 233 thousand. In the reporting period, no other significant proceedings concerning liabilities or receivables, which could have a significant impact on the future results and financial situation of the Group, were initiated or are pending before a court or a public administration authority.
8. As at the balance sheet date, Stalprodukt S.A. Capital Group has the following off-balance sheet contingent liabilities:
   - performance guarantee related to the manufacture and installation of road barriers with a total value of PLN 20 774 thousand and a blank promissory note surety of PLN 13 000 thousand issued by STP Elbud Sp. z o.o. to secure an investment credit granted by Bank Pekao S.A.
   - guarantees and sureties of promissory note granted by ZGH "Bolesław" S.A. in the amount of PLN 1 547 thousand.
   - ZGH "Bolesław" S.A. issued a promissory note in connection with the contract concluded with the National Centre for Research and Development for the amount of PLN 38.8 million (investment in the bathtub hall) for co-financing the project under the operational programme intelligent development (contract No. POIR.01.01.01.02-00-0159/16-00).
9. No other significant events were recorded, apart from those related to previous years, included in the annual consolidated financial statement as at 31.12.2018, which distorted the image of the business activity of the financial year 2018.
10. After 31.12.2018, apart from the information contained in this report and in the report of the Management Board of the parent company, no other events not included in the consolidated financial statement for 2018 occurred, which could significantly affect the situation in the Group and its future financial results.
11. No financial statement and comparable financial data adjusted for inflation are presented because the cumulative average annual inflation rate over the last three years did not reach 100%.

12. This consolidated financial statement of Stalprodukt S.A. Capital Group for 2018 was approved for publication by the Management Board of the Parent Company on 30 April 2019.

Bochnia, 30 April 2019.

The person authorised to
keep accounting books

Head of the Accounting
and Tax Department

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