Stalprodukt S.A.

Financial Statement of Stalprodukt S.A. for 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	thousands of PLN		thousands of EUR	
	2018	2017	2018	2017
I. Net sales of products, goods and materials	1 591 713	1 311 227	373 037	308 909
II. Operating profit (loss)	33 097	20 257	7 757	4 772
III. Profit (loss) before taxation	133 475	109 188	31 281	25 723
IV. Net profit (loss)	125 048	100 054	29 307	23 572
V. Net cash flow from operating activities	-24 996	79 026	-5 858	18 618
VI. Net cash flow from investment activities	-58 943	72 170	-13 814	17 002
VII. Net cash flow from financial activities	4 780	-63 501	1 120	-14 960
VIII. Total net cash flow	-79 159	87 695	-18 552	20 660
IX. Total assets	2 218 872	1 979 350	516 017	474 562
X. Liabilities and provisions for liabilities	585 996	444 349	136 278	106 536
XI. Long-term liabilities	70 000		16 279	
XII. Short-term liabilities	404 095	379 820	93 976	91 064
XIII. Shareholders' equity	1 632 876	1 535 001	379 739	368 026
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) per ordinary share (PLN)	22,41	17,93	5,25	4,22
Diluted profit (loss) per ordinary share (PLN)				
XVII. Book value per share (PLN)	292,62	275,08	68,05	65,95
Diluted book value per share (PLN)				
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 amounted to:
a) rate of exchange at end of 2018 and 2017, 4.3000 and 4.1709 respectively
b) the average rate, calculated as the arithmetical average of the exchange rates valid on the last day of each month of the year 2018 and 2017, 4.2669 and 4.2447 respectively
c) the lowest rate for 2018 and 2017, 4.1423 and 4.1709 respectively
d) the highest rate in 2018 and 2017, 4.3978 and 4.4157 respectively.

2. Basic items of the balance sheet, profit and loss account and cash flow statement were converted into Euro and presented in selected financial data.
For conversion of currency in PLN into Euros, the following rates of EUR were used, according to the following rules:
- items of assets and liabilities were converted into Euros according to the average exchange rate announced by the NBP as at 31.12.2018 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.

BALANCE SHEET AS 31 DECEMBER 2018

BALANCE SHEET	Notes	thousands of PLN		
		2018	2017	2017 retrospectively
Assets				
I. Fixed assets		**1 507 844**	**1 345 413**	**1 357 047**
1. Intangible fixed assets, including	1	71 825	40 316	40 316
- right of perpetual land use		41 033	36 080	36 080
2. Tangible fixed assets	2	841 862	849 686	861 320
3. Long-term receivables	3			
4. Long-term investments	4	592 476	453 894	453 894
4.1. Real estate investments		62 974	93 239	93 239
4.2. Intangible assets				
4.3. Long-term financial assets		529 502	360 655	360 655
4.4. Other long-term investments				
5. Long-term prepayments		1 681	1 517	1 517
5.1. Deferred income tax assets	5	1 681	1 517	1 517
5.2. Other prepayments				
II. Current assets		**711 028**	**633 937**	**622 480**
1. Inventories	6	377 107	240 268	240 445
2. Short-term receivables	7	282 606	243 647	243 647
- including trade receivables in excess of 1 year		575	912	912
3. Short-term investments		51 113	138 079	138 079
3.1. Short-term financial assets	8	51 112	137 771	137 771
a) loans		23 500	31 000	31 000
b) short-term securities				
c) cash and cash equivalents		27 612	106 771	106 771
3.2. Other short-term investments		1	308	308
4. Short-term prepayments	9	202	11 943	309
Total assets		**2 218 872**	**1 979 350**	**1 979 527**
Liabilities and Shareholder's Equity				
I. Shareholders' Equity		**1 632 876**	**1 535 001**	**1 524 746**
1. Share capital	10	11 161	11 161	11 161
2. Own shares (stakes) (negative value)				
3. Reserve capital	11	104 184	104 184	104 184
4. Reserve capital from revaluation	12			
5. Other reserve capital	13	1 402 915	1 319 602	1 319 602

6. Retained earnings (losses)		-10 432		-10 432
7. Net profit (loss)		125 048	100 054	100 231
II. Liabilities and provisions for liabilities		**585 996**	**444 349**	**454 781**
1. Provisions for liabilities	14	105 944	59 052	69 484
1.1. Provision for deferred income tax		71 458	52 435	62 867
1.2. Other provisions		34 486	6 617	6 617
a) long-term		32 665	5 578	5 578
b) short-term		1 821	1 039	1 039
2. Long-term liabilities	15	70 000		
2.1. Long-term credits and loans		70 000		
2.2. Other long-term liabilities				
3. Short-term liabilities	16	404 095	379 820	379 820
3.1. Short-term credits and loans		112 674	173 508	173 508
3.2. Current part of long-term credits and loans		20 000		
3.3. Trade liabilities		243 046	180 980	180 980
- including trade receivables in excess of 1 year		1 979	1 874	1 874
3.4. Income tax liabilities				
3.5. Other short-term liabilities		28 375	25 332	25 332
4. Accruals	17	5 957	5 477	5 477
Total liabilities		**2 218 872**	**1 979 350**	**1 979 527**

Book value		**1 632 876**	**1 535 001**	**1 524 746**
Number of shares		**5 580 267**	**5 580 267**	**5 580 267**
Book value per share (PLN)	**18**	**292,62**	**275,08**	**273,24**
Diluted number of shares				
Diluted book value per share (PLN)				

CONSOLIDATED PROFIT AND LOSS ACCOUNT	Note	thousand x PLN		
		2018	2017	2017 retrospectively
I. Net revenue from sale of products, goods and materials, including:		**1 591 713**	**1 311 227**	**1 311 227**
1. Net revenue from sale of products	*19*	1 294 801	1 251 195	1 251 195
2. Net revenue from sale of goods and materials	*20*	296 912	60 032	60 032
II. Costs of sold products, goods and materials, including:	*21*	**1 465 879**	**1 216 835**	**1 216 658**
1. Cost of manufacture of sold products	*21*	1 176 832	1 160 378	1 160 201
2. Value of sold goods and materials	*21*	289 047	56 457	56 457
III. Profit (loss) gross on sales		**125 834**	**94 392**	**94 569**
IV. Costs of sales		41 518	36 372	36 372
V. General administrative costs		46 363	39 000	39 000
VI. Profit (loss) on sales		**37 953**	**19 020**	**19 197**
VII. Other operational revenue	*22*	4 342	7 487	7 487
VIII. Other operational costs	*23*	9 198	6 250	6 250
IX. Profit (loss) from operational activity		**33 097**	**20 257**	**20 434**
X. Financial revenue	*24*	108 460	96 738	96 738
XI. Financial costs	*25*	8 082	7 807	7 807
XII. Profit (loss) gross		**133 475**	**109 188**	**109 365**
XIII. Income tax	*26*	8 427	9 134	9 134
XIV. Profit (loss) net	*27*	**125 048**	**100 054**	**100 231**

Profit net		**125 048**	**100 054**	**100 231**
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)	*28*	**22,41**	**17,93**	**17,96**

TOTAL COMPREHENSIVE CONSOLIDATED INCOME	thousand x PLN			
	Note	2018	2017	2017 retrospectively
Net result		125 048	100 054	100 231
Differences from evaluation				
Total Comprehensive Income		**125 048**	**100 054**	**100 231**

Statement of changes in equity for the period from 1st January to 31st December 2018 and 2017	thousand x PLN					
	Share capital	Supplementary capital	Other reserve capital	Retained profit from previous years	Retained profit from current year	Equity in TOTAL
As of 1.01.2018 (opening balance)	**11 161**	**104 184**	**1 319 602**	**100 054**		**1 535 001**
Profit distribution			83 314	-83 314		**0**
Intercapital transfer			-1	1		**0**
Dividend				-16 741		**-16 741**
Loss from previous years				-10 432		**-10 432**
Total comprehensive income for period 1.01 - 31.12.2018					125 048	**125 048**
As of 31.12.2018 (End of Period)	**11 161**	**104 184**	**1 402 915**	**-10 432**	**125 048**	**1 632 876**
As of 01.01.2017 (Beginning of Period)	**11 161**	**104 184**	**1 240 612**	**95 731**		**1 451 688**
Profit distribution			78 990	-78 990		**0**
Intercapital transfer						
Dividend				-16 741		**-16 741**
Total comprehensive income for period 1.01 - 31.12.2017					100 054	**100 054**
As of 31.12.2017 (End of Period)	**11 161**	**104 184**	**1 319 602**	**0**	**100 054**	**1 535 001**
As of 01.01.2017 (Beginning of Period) retrospectively	**11 161**	**104 184**	**1 240 612**	**95 731**		**1 451 688**
Adjustment of the result from previous years				-10 432		
As of beginning of period after adjustments	11 161	104 184	1 240 612	85 299	0	**1 451 688**
Profit distribution			78 990	-78 990		**0**
Intercapital and consolidation transfer						
Dividend				-16 741		**-16 741**
Total comprehensive income for period 1.01 - 31.12.2017					100 231	**100 231**
As of 31.12.2017 (End of Period) retrospectively	**11 161**	**104 184**	**1 319 602**	**-10 432**	**100 231**	**1 524 746**

CASH FLOW ACCOUNT	thousand x PLN 2018	2017	2017 after conversion	2017 retrospectively
Profit before taxation	**133 475**		**109 188**	**109 365**
Tax paid	**0**		**0**	**0**
A. Cash flow from operational activity - indirect	-24 996	79 026	79 026	79 026
I. Profit (loss) net		**100 054**		
II. Adjustments in total	**-158 471**	**-21 028**	**-30 162**	**-30 339**
1. Depreciation	48 000	47 105	47 105	47 105
2. (Profit) loss from exchange rate fluctuations				
3. Interest and profit share (dividends)	-92 530	-91 128	-91 128	-91 128
4. (Profit) loss on investment activities	5 226	401	401	401
5. Change in reserves	2 860	9 016	9 016	9 016
6. Change in inventories	-136 839	27 838	27 838	27 661
7. Change in receivables	-38 959	23 216	23 216	23 216
8. Change in short-term liabilities except for	65 108	-34 639	-34 639	-34 639
9. Change in accruals	-2 910	-2 837	-2 837	-2 837
10. Other adjustments	-8 427		-9 134	-9 134
III. Net cash flow from operating activities	**-24 996**	**79 026**	**79 026**	**79 026**
B. Cash flow from investment activity	-58 943	72 170	72 170	72 170
I. Inflows	**111 335**	**108 029**	**108 029**	**108 029**
1. Sales of intangible and tangible fixed assets	49	100	100	100
2. Sales of real estate properties and intangible				
3. From financial assets, including:	111 286	107 929	107 929	107 929
- financial assets sold				
- dividends and profit share received	98 612	94 268	94 268	94 268
- repayments of long-term loans granted				
- interest received	1 564	2 062	2 062	2 062
- other inflows from financial assets	11 110	11 600	11 600	11 600
4. Other investment inflows				
II. Outflows	**-170 278**	**-35 859**	**-35 859**	**-35 859**
1. Purchase of intangible and tangible fixed	-31 181	-35 169	-35 169	-35 169
2. Real estate property and intangible assets				
3. To financial assets, including:	-139 097	-690	-690	-690
- financial assets purchased	-138 597	-690	-690	-690
- long-term loans granted	-500			
4. Other investment outflows				
III. Net cash flow from investment activities	**-58 943**	**72 170**	**72 170**	**72 170**
C. Cash flow from financial activity	4 780	-63 501	-63 501	-63 501
I. Inflows	**90 000**	**930**	**930**	**930**
1. Net inflows from issue of shares, other				
2. Credits and loans	90 000	930	930	930
3. Issue of debentures				
4. Other financial inflows				
II. Outflows	**-85 220**	**-64 431**	**-64 431**	**-64 431**
1. Purchase of own shares				

2. Dividends and other dues paid to	-16 741	-16 741	-16 741	-16 741
3. Outflows from profit distribution, other than				
4. Credits and loans repaid	-60 833	-41 467	-41 467	-41 467
5. Redemption of debentures				
6. From other financial liabilities				
7. Contractual payments of financial lease				
8. Interest paid	-7 646	-5 201	-5 201	-5 201
9. Other financial outflows		-1 022	-1 022	-1 022
III. Net cash flow from financial activities	**4 780**	**-63 501**	**-63 501**	**-63 501**
D. Net cash flow, total	**-79 159**	**87 695**	**87 695**	**87 695**
E. Balance sheet change in cash, including:	**-79 159**	**87 695**	**87 695**	**87 695**
F. Cash (beginning of period)	**106 771**	**19 076**	**19 076**	**19 076**
G. Cash (end of period), including:	**27 612**	**106 771**	**106 771**	**106 771**

Cash at beginning of the reporting period represent the amount of PLN 106,771 thousand, including cash at hand PLN 79 thousand, on bank accounts PLN 106,692 thousand, and at the end of the reporting period PLN 27,612 thousand, including PLN 117 thousand cash at hand and PLN 27,495 thousand on bank accounts.

Operating activities consist of the basic (main) activities of the Company, 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 Company.

The Company'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 Company’s financial activities consist of acquisition and use of equity and foreign capital, including the short and long term credits.

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 Company 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

As of 31.12.2018 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 Company'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 Company operates is the Polish zloty. This currency is also the currency used in the consolidated financial statements.

3. Applicable accounting rules (policy)

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

On 27 December 2018 the accounting principles (policy) were updated, including the change in the valuation of stock and to the extent related to adjustment to the new version of IFS 9 including system parameters, methods for securing access to data and their processing system, as well as algorithms and sets constituting account books on storage devices.

In the Company's opinion, apart from the change regarding the valuation of the stock, the remaining elements will not have a material and financial impact on the situation of the Company and its liquidity and financial result.

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

Fixed assets

a) as of the date of transition to international standards, in accordance with MSSF1 "the application of International Financial Reporting Standards for the first time", the Company adopted a valuation of previously used tangible fixed assets at fair value and decided to use this value as expected (implied) cost as of this day. Revaluations were made in-house with technical staff, based on their technical and market knowledge, taking into account the previous lifetime of the assets, the degree of wear and tear, made improvements, modernization and repairs. The following lifetimes and depreciation rates were adopted for the tangible fixed assets used in the Company prior to the date of transition to IFRS: buildings 20 years (5%), structures 10 years (10%), boilers 5 years (20%), machinery and equipment for general use 5 years (20%), metallurgical machinery and equipment 10 years (10%) and other technical equipment 5 years (20%).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Current assets

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

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

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

The production costs do not include costs:

- arising from the unused production capacity and production losses,

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

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

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

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

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

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

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

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

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

Equity

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

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

b) Capital is created in the Parent Company obligatorily (by the operation of law) and is intended to cover any lack of share capital. Pursuant to the Commercial Companies Code,

the Company must allocate at least 8% of annual net profits to the capital reserve until it reaches one third of the share capital. The amount of the supplementary capital due to the transition to IFRS is PLN 43 931 thousand.
c) The capital reserve is increased by surpluses while the shares are issued above their nominal value and the difference from the revaluation of fixed assets that were liquidated or sold. In addition, the capital reserve was increased in 2005 due to the revaluation of fixed assets to fair value at the date of transition to IFRS, as retained earnings.

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

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

Liabilities

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

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

Provisions

Provisions are created when there is:

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

- a probability that funds shall have to be spent,

- a possibility of making a reliable estimate calculation.

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

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

- employee benefits (retirement),

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

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

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

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

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

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

Profit and loss account

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

Revenues are recognized in two major categories:

- sale of products (including services),

- sale of goods and materials.

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

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

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

- cost of products sold (including services),

- value of goods and materials sold.

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

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

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

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

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

- mandatory financial burden as a result of income tax.

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

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

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

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

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

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

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

Leasing

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

Negative goodwill

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

Professional opinion, estimates and assumptions.

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

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

a) revaluation write-offs of receivables,

b) revaluation write-offs of inventories,

c) provisions for retirement,

d) assets and deferred tax liabilities,

e) periods of depreciation of fixed assets,

f) fixed assets impairment write-off .

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

4. Changes of the applicable accounting rules (policies)

The accounting principles applied in the preparation of the present Report are coherent with the ones applied for the preparation of the Financial Report for the year ended on 31 December 2016, except for the application of the following changes in the standards and new interpretations published by the International Accounting Standards Board and approved by the European Union, applicable for the annual periods starting on or after 1 January 2017:

- Amendments to IAS 7 "Statement of Cash Flows" – disclosure initiative – applicable for the annual periods starting on or after 1 January 2017,
- Amendments to IAS 12 „Income Tax" – recognition of deferred tax on unrealised losses – applicable for the annual periods starting on or after 1 January 2017.

The above standards, interpretations and amendments to standards did not have a significant impact on the to-date accounting policy applied by the Company or presentation of its financial reports.

Already published standards and interpretations.

While preparing the present Financial Report, the Company has not applied the following standards, amendments to standards and interpretations, which have been published by IASB and approved for use in the EU:

While preparing the present Financial Report, the Company did not decide on the earlier application of the above mentioned published standards, interpretations or amendments to the existing standards before their effective date. Apart from the new standards provided below, no other standards are applicable to the Company's activities or affect the Company's Financial Report.
The standards approved by the International Accounting Standards Board IASB to be applied following 1 January 2018:

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

- IFRS 4: application of IFRS 9 ”Financial Instruments” in combination with IFRS 4 ”Insurance Contracts” - – applicable for the annual periods starting on or after 1 January 2018.

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

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

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

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

- Amendments to IAS 28 ”Investments in Associates and joint Ventures” – measuring an associate or joint venture at fair value,
- Amendments to IAS 40 ”Investment Property” – regarding the rules for the re-classification of investment property,
- Interpretation of IFRIC 22 regarding „Foreign Currency Transaction and Advance Consideration” ,
- IFRS 17 ”Insurance Contracts”,
- Annual amendments IFRS 2015-2017 regarding IFRS 3 ”Business Combinations”, IFRS 11 ”Joint Arrangements”, IAS ”Income Tax”, IAS 23 ”Borrowing Costs”
- Amendments to IAS 19 ”Employee Benefits” – Plan Amendment, Curtailment or Settlement.

3. Notes

NOTE 1a - INTANGIBLE ASSETS	thousands of PLN	
	2018	2017
1. concessions, patents, licenses and similar	391	514
a) computer software	*220*	*417*
2. right of perpetual land use	41 033	36 080
3. research and development works	27 919	
4. other intangible assets	2 482	3 722
Intangible assets, total	**71 825**	**40 316**

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 IAS 38 are met (i.a. the possibility of and means for continuing work, the possibility of applying effects and achieving economic benefits in the future).

1b NOTE - Changes of intangible assets (by group type)								
thousands of 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			**1 074**	**1 052**	**6 203**	**36 080**	**43 357**
1. increase (due to)	**27 919**		**122**			**4 953**	**32 994**
- purchase			*122*				*122*
- transfer to investment properties						*4 953*	*4 953*
- transfer from fixed assets under construction	*27 919*						*27 191*
2. decrease (due to)			**107**	**107**			**107**
- liquidation			*107*	*107*			*107*
- sales							
II. gross value of intangible assets at the end of the period	***27 919***		**1 089**	**945**	**6 203**	**41 033**	**76 244**
1. accumulated depreciation (amortization), at the beginning of the period			**560**	**635**	**2 481**		**3 041**
2. depreciation for the period (due to)			**137**	**90**	**1 241**		**1 378**
- depreciation allocated to the costs			*214*	*167*	***1 241***		*1 455*
- decrease due to liquidation			*77*	*77*			*77*
III. accumulated depreciation (amortization) at the end of the period			**698**	**725**	**3 721**		**4 419**
1. charges for permanent loss of value at the beginning of the period							
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	**27 919**		**391**	**220**	**2 482**	**41 033**	**71 825**

NOTE 2a - TANGIBLE FIXED ASSETS	thousands of PLN	
	2018	2017
1. fixed assets, including:	**796 713**	**767 036**
a) land	*20 522*	*19 076*
b) buildings, premises, civil engineering objects	*204 953*	*193 914*
c) plants and machinery	*563 239*	*547 358*
d) means of transport	*3 405*	*2 415*
e) other fixed assets	*4 594*	*4 273*
2. fixed assets under construction	**45 149**	**82 650**
Tangible fixed assets, total	**841 862**	**849 686**

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, a full use of the fixed assets was reported and the sales volume from the sales of all products was 5,5 % lower than in the previous year.

2b NOTE - CHANGE OF FIXED ASSETS (BY GROUPS)						
thousands of PLN						
	- land (including perpetual usufruct)	- buildings, premises, civil engineering objects	- plants and machinery	- means of transport	- other fixed assets	Fixed assets, total
I. gross value of fixed assets at the beginning of the period	**19 076**	**348 696**	**835 111**	**5 340**	**6 343**	**1 214 566**
1. increase (due to)	**1 447**	**28 276**	**49 313**	**1 434**	**687**	**81 157**
a) investment	*149*	*3 686*	*34 376*	*1 434*	*687*	*40 332*
b) *overhauls**		*576*	*14 389*			*14 965*
c) change of status of long-term investments	*1 298*	*24 014*				*25 312*
d) change in the state of the exchangeable parts classified in accordance with IAS to fixed assets			*548*			*548*
2. decrease (due to)	**1**	**10 984**	**1 152**	**490**		**12 627**
a) sale	*1*		*107*	*490*		*598*
b) liquidation		*10 984*	*1 045*			*12 029*
II. gross value of fixed assets at the end of the period	**20 522**	**365 988**	**883 272**	**6 284**	**7 030**	**1 283 096**
1. accumulated depreciation (amortization), at the beginning of the period		**154 782**	**287 753**	**2 925**	**2 070**	**447 530**
2. depreciation for the period (due to)		**6 253**	**32 280**	**-46**	**366**	**38 853**
a) depreciation included in costs		*12 383*	*33 373*	*423*	*366*	*46 545*
b) reduction due to sale			*86*	*469*		*555*
c) reduction due to liquidation		*6 130*	*1 007*			*7 137*
d) reduction due to inventory shortages						
e) decrease in respect of the reclassification						
f) decrease in respect of revaluation						
III. accumulated depreciation (amortization) at the end of the period		**161 035**	**320 033**	**2 879**	**2 436**	**486 383**
a) write-offs for permanent loss of value, at the beginning of the period						
b) increase						
c) decrease						
d) write-offs for permanent loss of value, at the end of the period						
IV. net value of fixed assets at the end of the period	**20 522**	**204 953**	**563 239**	**3 405**	**4 594**	**796 713**

**The way of presentation is described in Supplementary Information pt 4 The changes in applied accountancy rules (policy).*

OTE 2c - BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)	thousands of PLN	
	2018	2017
1. own assets	796 713	767 036
Total balance sheet fixed assets	**796 713**	**767 036**

NOTE 3- CHANGE OF LONG-TERM RECEIVABLES - DID NOT OCCUR

NOTE 4 - LONG-TERM INVESTMENT (ACC. TO TITLES)	**thousands of PLN**	
	2018	**2017**
1. investment properties	**62 974**	**93 239**
2. long-term financial assets	**529 502**	**360 655**
a) stocks and shares	*526 502*	*354 545*
b) long-term loans	*3 000*	*6 110*
Long-term investment, total	**592 476**	**453 894**

NOTE 4a - CHANGE OF STATUS OF REAL ESTATE INVESTMENT	**thousands of PLN**	
	2018	**2017**
1. balance at the beginning of the period	**93 239**	**96 781**
2. increases (due to)		
a) investment		
3. decreases (due to)	**30 265**	**3 542**
a) amortization	*2 978*	*3 542*
b) liquidation of facilities	*2 264*	
c) reclassification to fixed assets	*25 023*	
4. balance at the end of the period	**62 974**	**93 239**

Investment properties constitute fixed assets including: the right of perpetual usufruct of land PLN 13,863 thousand, land PLN 148 thousand and buildings and structures PLN 48,963 thousand. These properties are not intended for sale. Total revenues from rent for the year 2018 amounted to PLN 6,627 thousand, while the costs associated with these real properties are estimated approximately at PLN 6,043 thousand. With real estate investments valuation rules by cost model are in force, i.e. cost of purchase less accumulated depreciation (amortization) and the total amount of any deductions due to impairment of value. The initial value of the investment properties is PLN 91 247 thousand. Reclassification of the property to fixed assets is related to the acquisition of warehouses located in Gliwice, Wrocław, Radom, Szczecin and Wrocław at the beginning of July, which were previously operated by the distribution Company – Stalprodukt Centrostal Krakow Sp. z o.o. The fair value of the investment properties is PLN 180 000 thousand.

NOTE 4b – LONG-TERM FINANCIAL ASSETS (OWNERSHIP STRUCTURE)	**thousands of PLN**	
	2018	**2017**
1. in subsidiaries	**529 383**	**360 536**
a) shares	*526 383*	*354 426*
b) loans granted	*3 000*	*6 110*
2. in other entities	**119**	**119**
a) shares	*80*	*119*
b) loans granted	*39*	
Long-term financial assets, total	**529 502**	**360 655**

The stakes and shares held are not quoted on stock exchanges or regulated markets. They are not characterized with limited transferability. The pledge on the shares of GO Steel Frydek Mistek a.s. was established on 23 August 2018 in favour of PKO BP S.A. to secure an investment credit in the amount of PLN 100 000 thousand for refinancing the purchase of shares of the Czech company. The amount of PLN 3 000 thousand is a long-term loan granted to Cynk Mal S.A. (the remainder of it, i.e. PLN 3 000 thousand was presented in short-term loans, Note 8a).

NOTE 4c - CHANGE IN THE BALANCE OF LONG- TERM FINANCIAL ASSETS (BY GROUP TYPES)	thousands of PLN	
	2018	2017
1. balance at the beginning of the period	**360 655**	**360 965**
2. increase (due to)	**171 957**	**690**
a) purchase of shares	*171 957*	*690*
b) reclassification of loans from short- to long-term ones		
c) subscription for shares in respect of the capital increase		
3. decrease (due to)	**3 110**	**1 000**
a) shares write off for liquidation purposes		
b) loans repaid	*1 110*	*1 000*
c) reclassification of loans from long- to short-term ones	*2 000*	
4. balance at the end of the period	**529 502**	**360 655**
Long-term financial assets, total	**529 502**	**360 655**

The amount of PLN 170 616 thousand is related to the purchase of the shares of GO Steel Frydek Mistek a.s. On 15 December 2017, a conditional contract was signed for the purchase of the shares of GO Steel Frydek Mistek a.s. with its registered office in the Czech Republic from ArcelorMittal S.A. with its registered office in Luxembourg. The transaction settlement date was 28 February 2018. 1 March 2018 had been determined to be the day of taking over the control. From this day, the company has been part of the Stalprodukt S.A. Capital Group and has been fully consolidated.

The amount of PLN 1 339 thousand refers to the purchase of shares of ZGH "Bolesław" S.A. On 31 March 2018, the Company and the Ministry of Entrepreneurship and Technology representing the State Treasury signed a contract for the acquisition of 56 192 shares of ZGH "Bolesław" S.A. The total price for the shares purchased was PLN 1,339,055.36, i.e. PLN 23.83 for 1 share. The above-mentioned shares constitute 0.34% of the share capital of ZGH "Bolesław" S.A.

NOTE 4 d – SHARES IN SUBSIDIARIES

No	a	b	c	d	e	f	g	h	i	j	k	l
	thousands of PLN											
	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 adjustme nts (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	95	95	
11	Go Steel Frydek Mistek a.s.	Frydek-Mistek Republika Czeska	production of electrical transformer sheets	subsidiary	full consolidation	01.03.2018	170 616	0	170 616	100	100	
12.	StalNet sp.o.o.	Bochnia	Internet commerce	shares held by Stalprodukt S.A./personal links	by means of equity method	31.01.2018	39	0	39	28,00	28,00	

NOTE 4e - Shares in subsidiaries

No	a	m							n		o			p	r	s	t
		thousands of PLN															
	name of entity	equity of the unit, including:	- share capital	- calledup share capital (negative value)	reserve capital	other equity, including:	previous years' profit (loss)	net profit (loss)	liabilities and provisions for liabilities of the unit, including:	- short-term liabilities	receivables of the unit, including:	- long-term receivables	- short-term receivables	assets of the entity, total	revenues from sale	value of the shares in the unit not paid by the issuer	dividends received or receivable from the unit for the last financial year
1.	Stalprodukt-MB sp. z o.o.	**3 157**	2 604			553		154	**410**	410	**1 444**		1 444	**3 568**	**5 215**		2 000
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**		2 000
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**	4 665	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	**44 146**	40 292	36 640		36 640	**95 889**	**165 777**		
8.	Cynk-Mal S.A.	**27 401**	20 191		22 496	-15 286	-18 887	3 601	**35 407**	25 881	6 411		6 411	**62 808**	**72 105**		
9.	Anew Institute Sp. z o.o.	**9 562**	14 649		77	-5 087	-4 026	-1 158	**3 633**	1 267	629		510	**13 196**	**794**		
10.	ZGH "Bolesław" SA	**1 064 412**	166 116		585 774	312 522	988	184 696	**507 937**	224 950	225 653		225 653	**1 572 350**	**1 337 606**		94 266
11.	Go Steel Frydek Mistek a.s.	**202 635**	203 437			-802	-10 421	9 619	**102 771**	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**	74 121	58 290		58 290	**305 406**	**338 116**		

NOTE 4 f – Shares in other entities										
	thousand x PLN									
	a	b	c	d	e		f	g	h	i
					equity of the unit, including:					
No	Name (company) of the entity, indicating its legal form	Seat	Object of the enterprise	Book value of shares		- share capital	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.	Stalprodukt-Profil S.A.	Bochnia	trade in steel products	80	77 194	410	16.00	16.00		

NOTE 4 g – Shares in other entities										
	thousand x PLN									
	a	b	c	d	e		f	g	h	i
					equity of the unit, including:					
No	Name (company) of the entity, indicating its legal form	Seat	Object of the enterprise	Book value of shares			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
2.	StalNet sp. z o.o.	Bochnia	online trade	39	57 186	200	28.00	28,00		

Moreover, the Issuer holds some minority stakes and shares in 7 entities, for which a 100% revaluation write-down was made due to their loss of value.

NOTE 5 - Change in assets due to deferred income tax	thousands of PLN 2018	thousands of PLN 2017
1. Balance of assets due to deferred income tax, at the beginning of the period, including:	**1 517**	**1 265**
a) attributed to the financial result	*1 517*	*1 265*
b) attributed to equity		
2. Increases	**1 419**	**1 698**
a) attributed to financial result of the period in respect of deductible temporary differences (due to)	*1 419*	*1 698*
- appearance of temporary differences	*1 419*	*1 698*
b) attributed to equity in respect of negative temporary differences (due to)		
3. Decreases	**1 255**	**1 446**
a) attributed to financial result of the period in respect of negative temporary differences (due to)	*1 255*	*1 446*
- reversal of temporary differences	*1 255*	*1 446*
- changes of tax rate		
b) attributed to equity in respect of negative temporary differences (due to)		
4. Balance of assets due to deferred income tax, at the end of the period, including:	**1 681**	**1 517**
a) attributed to the financial result	*1 681*	*1 517*
b) attributed to equity		

NOTE 5a – The amounts of negative temporary differences by main groups of assets and liabilities	thousands of PLN 2018	thousands of PLN 2017
1. inventory (materials and products)	*2 377*	*1 471*
2. receivables	*1 274*	*1 862*
3. liabilities for employee benefits	*4 525*	*4 133*
4. liabilities and other bonus	*673*	*519*
Total negative temporary differences	**8 849**	**7 985**
Tax rate	19%	19%
Assets due to deferred income tax	**1 681**	**1 517**

NOTE 6 – Inventory	thousands of PLN 2018	thousands of PLN 2017
1. materials	193 001	125 618
2. semi-finished products and work in progress	51 878	42 753
3. finished products	126 249	71 174
4. goods	5 979	723
Inventory, total	**377 107**	**240 268**

As of the balance sheet day, materials are subject to a registered pledge up to the amount of PLN 20 000 thousand in favor of PNB Paribas S.A., up to the amount of PLN 15 000 thousand in favor of Bank Handlowy S.A., up to the amount of PLN 100 000 thousand in favor of Bank PKO BP S.A. and up to the amount of PLN 35 000 thousand in favor of Bank PeKaO S.A., securing the granted credit limits.

During the reporting period write-down sue to impairment of value was made on finished products to the net realizable value. The value of the write-down amounted to 2 377 thousand PLN. Advances for deliveries demonstrated in receivables for deliveries and services. The value of advances for deliveries as at 31.12.2018 amounts to 12 898 thousand PLN.

NOTE 7a – Short-term receivables	thousand x PLN	
	2018	2017
1. from related parties	**52 733**	**72 547**
a) trade receivables, maturing:	52 733	72 547
- up to 12 months	*52 733*	*72 547*
- above 12 months		
2. receivables from other entities	**229 873**	**171 100**
a) trade receivables, maturing:	214 616	157 912
- up to 12 months	*214 041*	*157 000*
- above 12 months	*575*	*912*
b) receivables from tax, subsidy, customs, social security and other benefits	10 203	8 233
c) other	5 054	4 955
Net short-term receivables, total	**282 606**	**243 647**
a) write-downs of receivables	1 748	2 727
Gross short-term receivables, total	**284 354**	**246 374**

As of the balance sheet date applies charge of receivables: silent assignment duties in the amount of PLN 10 000 thousand, which constitutes security of the limit for guarantees and letters of credit in Bank Handlowy S.A. and the undetermined amount of the silent cession of claims from 11 customers, as security for a limit on guarantees and letters of credit in BNP Paribas Bank Polska S.A. and silent assignment duties in the amount of PLN 10 000 thousand, which constitutes security of the limit in Bank PeKaO S.A

NOTE 7b – Change in short-term receivables write-down	thousands of PLN	
	2018	2017
Balance at the beginning of the period	**2 727**	**2 325**
1. increase (due to)	**308**	**508**
a) provision for doubtful receivables	*308*	*508*
2. decrease (due to)	**1 287**	**106**
a) cancellation		*28*
b) adjustment	*505*	*1*
c) payment	*782*	*77*
Balance of short-term receivables write-downs at the end of the period	**1 748**	**2 727**

NOTE 7c – Gross short-term receivables (currency structure)	thousands of PLN	
	2018	2017
1. in Polish currency	**137 751**	**134 573**
2. in foreign currencies (according to currencies converted into PLN)	**146 603**	**111 801**
a) in EURO	*26 636*	*20 695*
converted into PLN	**114 409**	**87 489**
b) in USD	*8 527*	*6 951*
converted into PLN	**32 194**	**24 312**
Short-term receivables, total	**284 354**	**246 374**

NOTE 7d – Trade receivables (gross) – maturing as at the balance day:	thousands of PLN	
	2018	2017
up to 1 month	*129 261*	*104 926*
above 1 month up to 3 months	*86 760*	*102 701*
above 3 months up to 6 months		
above 6 months up to 1 year		
above 1 year	*575*	
overdue receivables	*52 501*	*25 559*
Trade receivables, total (gross)	**269 097**	**233 186**
trade receivables write-downs	*1 748*	*2 727*
Trade receivables, total (net)	**267 349**	**230 459**

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

NOTE 7e – Trade receivables, overdue (gross) – divided into unpaid receivables within the period:	thousands of PLN	
	2018	2017
up to 1 month	*40 114*	*21 457*
above 1 month up to 3 months	*10 431*	*1 472*
above 3 months up to 6 months	*278*	*267*
above 6 months up to 1 year	*68*	*358*
above 1 year	*1 610*	*2 005*
Trade receivables, total (gross)	**52 501**	**25 559**
trade receivables write-downs	*1 748*	*2 727*
Trade receivables, total (net)	**51 328**	**22 832**

Out of the total amount of gross short-term receivables, i.e. 284,354 thousand PLN, overdue receivables amount to PLN 52,501 thousand. Disputable overdue receivables did not occur. Overdue receivables only apply to trade receivables. Out of the overdue receivables, only the amount of 1,748 thousand PLN was covered by write-downs. The remaining outstanding receivables were not adjusted with revaluation write-offs due to the fact that most of them related to subsidiary companies and are justified by the Parent Company's strategy and sales policy. However, as far as other external recipients are concerned, overdues are admittable because the receivables are secured with bank guarantees, sureties and guaranteed/ avalized bills of exchange.

NOTA 8a - KRÓTKOTERMINOWE AKTYWA FINANSOWE	thousands of PLN	
	2018	2017
1. loans granted	**23 500**	**31 000**
a) loans granted in subsidiaries	*3 500*	*1 000*
b) loans granted in other units	10 000	30 000
2. cash and other pecuniary assets	10 000	
a) cash in hand and at bank	**27 612**	**106 771**
3. own shares	*27 612*	*106 771*
a) own shares within the first tranche		
Short-term financial assets, total		

NOTE 8b – Cash and equivalents (currency structure)	thousands of PLN	
	2018	2017
1. in Polish currency	**5 048**	**7 068**
2. in foreign currencies (according to currencies converted into PLN)	*1 186*	
a) in Euro	**22 564**	**99 703**
converted into thousand PLN	*3 123*	*22 079*
b) in USD	**13 393**	**92 284**
converted into thousand PLN	*2 433*	*2 117*
Cash and other pecuniary assets, total	**9 171**	**7 419**

Including adjustment from cash valuation PLN 13,000.

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 at the balance sheet resources were invested on overnight deposits.

NOTE 9 - Short-term accruals	thousands of PLN	
	2018	2017
1. active cost accruals, including:	**202**	**11 943**
a) costs of insurance and subscription	*12*	*97*
b) costs of fair organized in 2017		*58*
c) staged repairs		*11 634*
d) other	*190*	*154*
Short-term accruals, including:	**202**	**11 943**

The value of complete renovations settled over time was transferred to fixed assets for expansion of buildings and facilities as well as machinery and equipment (Note 2b).

Write-offs

Asset write-offs due to impairment of value refer to long-term financial assets, which constitute long-term investments (stocks and shares in other entities) and short-term receivables and stocks of finished products. The total value of the write-offs as of the balance sheet day is PLN 4 125 thousand, including the ones concerning receivables PLN 1 748 thousands and finished products PLN 2 377 thousand.

During the reporting period there was made a write-off in the amount of PLN 2 377 thousand in scope of inventories of finished products and a write-off from the previous year was dissolved in the amount of PLN 1 771 thousand, in connection with sale of the products covered by the write-off. Write-off due to impairment of doubtful receivables was made in the amount of PLN 308 thousand and a part of the previous write-downs in the amount of PLN 1 287 thousand, in connection with payment of receivables, cancellation and adjustments.

NOTE 10 - Share capital of the parent company (structure)								
thousand x PLN								
Series/issue	Type of shares	Share preference type	Type of limitation of rights to shares	Number of shares	Value of a series/issue according to nominal value	Manner of capital coverage	Registration date	The right to dividend (since)
A	preference registered shares	5 votes at the General Shareholders' Meeting and the distribution of assets		71 663	143 326	cash	3.07.1991	1.07.1992
A	registered shares without preference	Non-preference		1 820	3 640	cash	3.07.1991	1.07.1992
B	preference registered shares	5 votes at the General Shareholders' Meeting and the distribution of assets		281 030	562 060	cash	16.11.1993	1.01.1994
B	registered shares without preference	Non-preference		14 510	29 020	cash	16.11.1993	1.01.1994
C	ordinary bearer shares	Non-preference		780 000	1 560 000	cash	20.10.1994	1.01.1995
D	ordinary bearer shares	Non-preference		780 000	1 560 000	cash	20.10.1994	1.01.1995
E	preference registered shares	5 votes at the General Shareholders' Meeting and the distribution of assets		1 301 874	2 603 748	cash	30.09.1996	1.01.1996
E	registered shares without preference	Non-preference		44 370	88 740	cash	30.09.1996	1.01.1996
F	ordinary bearer shares	Non-preference		1 105 000	2 210 000	cash	17.12.1996	1.01.1997
G	ordinary bearer shares	Non-preference		1 200 000	2 400 000	cash	13.05.1997	1.01.1997
Number of shares, total				5 580 267				
Share capital, total					11 160 534			
Nominal value of one share (in PLN)		2,00						

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

NOTE 11– Supplementary capital	thousands of PLN 2018	thousands of PLN 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		
4. from subsidies of the shareholders / partners		
5. other (by type)	**68 484**	**68 484**
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) retained profit	60 510	60 510
e) transfer of profit retained in the previous years	33 998	33 998
f) negative difference between the nominal value and purchase price of own shares	-26 638	-26 638
Supplementary capital, total	**104 184**	**104 184**

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. Supplementary capital also includes profit from previous years in the amount of 33,998 thousand PLN, referring to negative goodwill from previous years and settled in accordance with IAS, 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 – Other reserve capitals (by appropriation)	thousands of PLN 2018	thousands of PLN 2017
1. reserve capital for investments	1 339 770	1 256 457
2. reserve capital for financing of current assets	12 145	12 145
3. other reserve capital	51 000	51 000
Revaluation reserve, total	**1 402 915**	**1 319 602**

The remaining reserve capitals are created from profit, which distribution is agreed by Shareholders. Equity is used to financing of working capital and to covering potential losses. The General Shareholders' Meeting decides about use of these capitals.

On 20 June 2016, the General Meeting adopted resolution No. XXXIII/18/2016 granting the Company authorization within the meaning of Article 365 § 1 item 8 to purchase its own shares for redemption. The maximum number of shares that can be purchased by the company under the program is 200,000. The purchase price for one share is PLN 250. The purchase involves A, B and E series named preference shares. The value of the programme increased by the purchase price is PLN 51 million. The purchase of shares may take place on the terms and conditions set forth by the Management Board of the Company within 2 years from the moment of adoption of Resolution No. XXXIII/18/2016. The resolution expired on 20 June 2018. In the event of an appropriate resolution adopted by the GMS, this capital will be transferred to reserve capital.

NOTE 13 – Profit from previous years	thousands of PLN	
	2018	2017
1. *due to the adjustment of the provision for deferred income tax for the*	-10 432	0
Profit from previous years, total	**-10 432**	**0**

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

NOTE 14 a - CHANGE IN THE BALANCE OF RESERVE FOR DEFERRED INCOME TAX	thousands of PLN	
	2018	2017
1. The balance of deferred income tax, at the beginning of the period, including:	**52 435**	**43 049**
a) attributed to financial result (due to)	52 435	43 049
- difference between balance and taxable amortization	52 435	43 049
- investment allowance		
b) attributed to equity		
- for revaluation of fixed assets		
2. Increases	**19 023**	**9 386**
a) attributed to the financial result due to positive temporary differences (due to)	19 023	9 386
- difference between depreciation and taxable amortization fixed assets	8 591	9 386
- correction from 2005-2009 (note 13)	10 432	
3. Decreases		
a) attributed to the financial result due to positive temporary differences (due to)		
- reversal of temporary differences (use of reserves for deferred income tax)		
b) attributed to the financial result due to positive temporary differences (due to)		
- difference between balance and taxable amortization		
4. Balance of reserve at the end of the period, total	**71 458**	**52 435**
a) attributed to the financial result	61 026	52 435
- due to differences between depreciation and taxable amortization fixed assets	61 026	52 435
b) attributed to equity (note 13)	10 432	

NOTE 14 b – Change of the balance of other long-term reserves	thousands of PLN	
	2018	2017
1. balance at the beginning of period	**5 578**	**5 044**
2. increase (due to)	**34 447**	**893**
a) creation of a provision for the retirement severance pays	*1 032*	*838*
b) creation of a provision for the recultivation of a settling tank	*55*	*55*
c) creation of a provision for the purchase of GO STEEL including:	*33 360*	
- "Earn-out" remuneration	*14 595*	
- liabilities due to the HRC contract	*18 765*	
3. solution (due to)	**7 360**	**359**
a) transfer to current provisions	*439*	
b) decrease of a provision due to the HRC contract	*6 255*	
b) decrease of a provision in relation to the payment of the retirement severance pays	*666*	*359*
4. balance at the end of period	**32 665**	**5 578**

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 above-assumed level of EBITDA in the valuation prepared for the transaction in the period of 4 consecutive years, provided 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 is a component of the price associated with the purchase of the shares of GO Steel Frydek Mistek a.s. and denotes the Company's liability to purchase additional 50 thousand tonne of hot-rolled sheet per year for the period of 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 the partial fulfilment of the liability, release of the provision was made for the amount of PLN 6 255 thousand.

NOTE 14 c - CHANGE IN OTHER SHORT-TERM RESERVES (BY TITLE)	thousands of PLN	
	2017	2016
1. balance at the beginning of the period	**1 942**	**890**
2. increases (due to)		**1 052**
a) transfer to a short-term reserve		*583*
b) formation of a provision for the purchase of energy origin certificates		*469*
c) creation of a provision for a bonus for customers due to sale		
3. dissolution (due to)	**903**	
a) paid retirement benefits	*434*	
b) purchase of energy origin certificates	*469*	
4. balance at the end of the period	**1 039**	**1 942**

NOTE 15 - NON-CURRENT LIABILITIES (BY TITLE)	thousand x PLN	
	2018	2017
1. long-term credits and loans	70 000	0
Total non-current liabilities	**70 000**	**0**

On 31 July 2018, the Company signed a long-term loan contract with PKO BP S.A. for the amount of PLN 100 000 thousand for refinancing the purchase of the shares of GO Steel Frydek Mistek a.s. The credit was granted for 5 years (until 30 June 2023) with a quarterly straight-line depreciation. On 31 December 2018, the outstanding amount is PLN 90 000 thousand (PLN 70 000 thousand of non-current liability and PLN 20 000 thousand of current liability – in the annual repayment period). The credit is collateralised with a blank bill of exchange and pledge on shares of GO Steel Frydek Mistek a.s.

NOTE 16 a – Short-term liabilities	thousands of PLN	
	2018	2017
1. to related parties	**19 092**	**10 641**
a) trade liabilities, maturing:	**19 092**	**10 641**
- up to 12 months	*19 092*	*10 641*
2. to other entities	**385 003**	**369 179**
a) credits and loans, including:	**132 674**	**173 508**
- long-term, maturing	*20 000*	
b) trade liabilities, maturing:	**223 954**	**170 339**
- up to 12 months	*221 975*	*168 465*
- over 12 months	*1 979*	*1 874*
c) other short-term liabilities	**28 375**	**25 332**
c.1 received advances for deliveries	511	478
c.2 tax, customs, insurance and other liabilities	8 466	8 075
c.3 payroll	8 744	8 195
c.4 other (by title)	10 654	8 584
- social fund	*8 081*	*8 044*
- PKZP	*389*	*382*
- deposit received	*2 000*	
- PZU	*107*	*108*
- other	*77*	*50*
Short-term liabilities, total	**404 095**	**379 820**

NOTE 16 b - Short-term liabilities (currency structure)	thousands of PLN	
	2018	2017
1. in Polish currency	**347 485**	**333 886**
2. in foreign currency (by currency and converted into PLN)	**56 610**	**45 934**
a) in EUR (thousands of EUR)	12 943	10 775
converted into thousands of PLN	**55 575**	**45 451**
b) In USD thousands of PLN	273	135
converted into thousands of PLN	**1 031**	**483**
other currency in thousand PLN	4	
Short-term liabilities, total	**404 095**	**379 820**

NOTE 16c - CURRENT LIABILITIES ARISING FROM CREDITS AND LOANS													
in PLN thousand													
Name (business name) of the entity	Registered office	The amount of the credit/loan limit 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	thousand x PLN	in currency	unit	currency				
Bank PekaO S.A.	Warsaw	100,000	PLN	in thousand	PLN	25,514	PLN	in thousand	PLN	wibor+margin	Sept.19	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	in thousand	PLN	26,344	PLN	in thousand	PLN	wibor+margin	July 2019/ Jan. 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	in thousand	PLN	26,013	PLN	in thousand	PLN	wibor+margin	Sept.19	blank bill of exchange, secret transfer of dues, pledge on stock	Limit on the overdraft facility, 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	in thousand	PLN	3,969	PLN	in thousand	PLN	wibor+margin	Apr.19	none	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	in thousand	PLN	30,834	PLN	in thousand	PLN	wibor+margin	Aug.19	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	in thousand	PLN	20,000	PLN	in thousand	PLN	wibor+margin	June 23	promissory note, pledge on GO Steel shares	A short-term part of an investment loan refinancing the purchase of shares of GO Steel Frydek Mistek a.s.

NOTE 17 – Accruals	thousands of PLN	
	2018	**2017**
1. deferred income	**5 957**	**5 477**
a) long-term (by titles)	**4 302**	**4 302**
- grant	*4 302*	*4 302*
b) short-term (by titles)	**1 655**	**1 175**
- received advances	*1 655*	*1 175*
Other accruals, total	5 957	5 477

The subsidy is related to carrying out and financing a project in the area of renewable energy sources, i.e. construction of an innovative prototype of a wind turbine with a vertical 1.5 MW axis rotor. The project concerned obtained financing from the National Centre for Research and Development with a pilot enterprise ”DEMONSTRATOR + Supporting scientific research and development works in demonstration scale”.
A respective agreement was signed in December 2013, and the planned completion date for the project is 30.06.2018. The total subsidy amount is PLN 12 539 923.

As part of the consortium (which includes, apart from the Company, the AGH University of Science and Technology in Kraków and ANew Institue Sp. z o.o.) created by the agreement of 10 December 2013 for the performance and financing of the above-mentioned project, in 2018, there were works performed in relation to, among others:

- making elements of the power plant (wings, pylons, tower, central node, main shaft, control room, inverter);
- obtaining a building permit for the power plant and cable line;
- carrying out construction works (preparing the assembly yard, making the access road to the place of assembly, laying the foundation, making the cable line to the TAURON network supplying the power plant);
- purchasing a generator, developing the generator on the foundation and performing a test run of the generator;
- assembling the tower and installing the abovementioned components of the power plant on the tower;
- installing the container with power electronics;
- preparing the start-up of the power plant assembly;
- starting the power plant.

NOTE 18 - Book value per 1 share
The book value per 1 ordinary share was calculated as the ratio of equity to the number of shares (PLN 1,632,876 thousand : 5,580,267 shares = PLN 292.62).

NOTE 19 a - NET INCOME FROM SALES OF PRODUCTS (MATERIAL STRUCTURE-TYPES OF ACTIVITIES)	thousands of PLN	
	2018	**2017**
1. transformer sheets	**552 101**	**519 154**
including: from related parties		
2. toroidal cores	**13 797**	**11 290**
including: from related parties		
3. steel sheet for banding steel	**19**	**26**
including: from related parties	*19*	*26*
4. steel sheets, hot-rolled and cold-rolled strips	**48 198**	**63 818**
including: from related parties	*19 591*	*46 869*
5. cold formed profiles	**545 441**	**545 308**
including: from related parties	*149 879*	*279 688*
6. road barriers	**126 310**	**101 249**
including: from related parties	*131*	*40*
7. services	**8 935**	**10 349**
including: from related parties	*7 165*	*8 208*
Net revenues from sales of products, total	**1 294 801**	**1 251 194**
including: from related parties	*176 785*	*334 831*

NOTE 19 b -NET SALES OF PRODUCTS (TERRITORIAL STRUCTURE)	thousands of PLN	
	2018	**2017**
1. domestic	**568 094**	**556 210**
a) transformer sheets	*37 658*	*33 179*
b) toroidal cores	*7 082*	*5 805*
c) steel sheet for banding steel	*19*	*26*
d) steel sheets, hot-rolled and cold-rolled strips	*42 887*	*53 503*
e) cold formed profiles	*374 108*	*375 371*
f) road barriers	*98 012*	*78 519*
g) services	*8 328*	*9 807*
2. export	**726 707**	**694 984**
a) transformer sheets	*514 443*	*485 975*
b) toroidal cores	*6 715*	*5 485*
c) steel sheets, hot-rolled and cold-rolled strips	*5 311*	*10 315*
d) cold formed profiles	*171 333*	*169 938*
e) road barriers	*28 298*	*22 729*
f) services	*607*	*542*
Net income from sales of products, total	**1 294 801**	**1 251 194**

NOTE 19c - NET REVENUE FROM SALES ON THE BASIS OF CONTRACTS WITH CUSTOMERS	thousand x PLN	
	2018	2017
Revenues: Transformer Sheet Segment	**565 898**	**530 443**
Balances at the beginning and end of the period		
1. receivables	83 399	93 981
2. contract assets	0	0
3. contract liabilities	0	0
4. revenues recognized in a given statement period regarding liabilities	0	0
Revenues: Profile Segment	**719 968**	**710 402**
Balances at the beginning and end of the period		
1. receivables	119 586	117 934
2. contract assets	0	0
3. contract liabilities	0	0
4. revenues recognized in a given statement period regarding liabilities	0	0

Liabilities that are part of contracts with customers have an expected duration not exceeding one year. The payment terms are consistent with the deadlines for fulfilling liabilities. The method of grouping contracts is consistent with operating segments compliant with IFRS 8.

NOTE 20a – Net sales of goods and materials (material structure – types of activities)	thousands of PLN	
	2018	2017
1. goods	**264 924**	**30 430**
including: from related parties	*239 405*	*28 717*
2. technological waste	**31 179**	**28 059**
including: from related parties	*807*	*1 770*
3. other materials	**809**	**1 543**
including: from related parties	*0*	*28*
Net revenues from sales of goods and materials, total	**296 912**	**60 032**
including: from related parties	*240 212*	*30 515*

NOTE 21 – Costs by type – cost of manufacture of products sold	thousands of PLN
	2018
1. amortization	**48 000**
2. consumption of materials and energy	**1 030 755**
3. external services	**115 067**
4. taxes and fees	**18 774**
5. payroll	**106 553**
6. social insurance and other benefits	**25 115**
7. other costs by type (due to)	**5 824**
a) business trips	*649*
b) property insurance	*481*
c) representation and advertising	*684*

d) other	*4 010*
8. balance of exchange differences arising from: settlements, provisions against retirement allowances, finished products price reduction	**1 350 088**
a) balance of exchange differences arising from settlements	-82 735
b) balance of provisions against retirement allowances	-2 640
c) provisions for loss of value of finished products	**-41 518**
Costs by type, total	**-46 363**
Change in stocks, products and accruals	**1 176 832**
Cost of manufacture of goods produced for own purposes (negative value)	**2018**
Selling costs (negative value)	**48 000**
General and administrative costs	**1 030 755**
Cost of manufacture of products sold	**115 067**

NOTE 22 – Other operating revenues	**thousands of PLN**	
	2018	**2017**
1) reversed provisions (due to)	**666**	**3 436**
a) doubtful receivables		
b) retirement benefits	*666*	*792*
c) payroll		
d) energy origin certificates		*470*
e) inventory		
2. other, including:	**3 676**	**4 051**
a) payment of adjudicated court fees		
b) received compensation	*54*	*24*
c) revenues from sales of fixed assets		
d) revenues due to not collected payroll		
e) surplus in working capital	*198*	*200*
f) other	*3 424*	*3 827*
Other operating revenues, total	**4 342**	**7 487**

NOTE 23 – Other operating costs	**thousands of PLN**	
	2018	**2017**
1. reserves (due to)	**3 806**	**4 538**
a) doubtful receivables		
b) retirement benefits	*1 031*	*838*
c) landfill (waste) reclamation	*55*	*55*
d) value of finished products	*2 377*	*1 471*
e) payroll		
f) purchase of energy origin certificates		
g) sales bonus for customers	*343*	*2 174*
2. other, including:	**5 392**	**1 712**
a) donations	*129*	*123*
b) costs of court proceedings	*6*	*11*
c) penalties, fines, compensations	*72*	*98*
d) shortages in financial resources	*180*	*20*

e) value of written-off receivables covered with insurance	*128*	
f) costs of tests	*1 264*	*906*
g) value of liquidated fixed assets	*2 607*	
h) other	*1 006*	*554*
Other operating costs, total	**9 198**	**6 250**

NOTE 24 – Financial revenues	thousands of PLN	
	2018	**2017**
1. revenues due to interests, including	**2 573**	**2 470**
a) from related parties	*2 252*	*1 980*
b) from other entities	*321*	*490*
2. exchange rate differences (the excess of negative over positive)	**1 020**	
a) realized		
b) unrealized	1 020	
3. released provisions, due to	**6 255**	
a) implementation of liabilities due to the HRC contract	6 255	
4. other, including:	**98 612**	**94 268**
a) dividend received	*98 612*	*94 268*
Financial revenues, total	**108 460**	**96 738**

NOTE 25 – Financial expenses	thousands of PLN	
	2018	**2017**
1. due to credits and loans	**7 646**	**6 469**
a) from related parties		
b) from other entities	*7 646*	*6 469*
2. other interests	**58**	
a) from related parties		
b) from other entities	*58*	
3. exchange rate differences (the excess of negative over positive), including	**164**	**1 007**
a) realized		
b) unrealized	*164*	*1 007*
4. released provisions, due to	**214**	**331**
a) accrued but not paid interests	*214*	*331*
5. other, including		
a) impairment losses		
Financial expenses, total	**8 082**	**7 807**

Settlement of exchange rate differences	thousands of PLN	
	2018	2017
1. positive exchange rate differences, including	**13 798**	**12 841**
a) realized	*13 798*	*12 841*
b) unrealized		
2. negative exchange rate differences	**11 815**	**20 305**
a) realized	*11 815*	*20 305*
b) unrealized		
Balance of exchange differences arising on settlements, translated into reduced production costs of the products sold	**1 983**	**-7 464**

NOTE 26 Current and deferred income tax	thousands of PLN		
	2018	2017	2017 revaluation
1. Gross profit (loss)	133 475	109 188	109 188
2. Differences between gross profit (loss) prior to income tax (by titles)	-143 115	-137 621	-137 621
a) depreciation of the fixed assets classified for investment tax breaks			
b) amortization of tangible and intangible deductible expenses	-42 930	-49 400	-49 400
c) donations and voluntary contributions	187	192	192
d) provision for the redemption of energy origin certificates		-470	-470
e) release of provision for retirement benefits	-666	-793	-793
f) PFRON	1 803	1 846	1 846
g) provision for the reclamation of the Borek landfill site	55	55	55
h) write-off due to revaluation of long-term investments			
i) cost regarding provisions for retirement benefits	1 031	838	838
j) dividend received	-98 612	-94 267	-94 267
k) social insurance for November and December '2017' and paid in January and February '2018'	-3 295	-3 256	-3 256
l) social insurance for November and December '2018' and paid in January and February '2019'	3 494	3 295	3 295
m) value reduction in respect of finished products and charge inventory	2 377	1 471	1 471
n) costs of representation	113	117	117
o) the value of disposed fixed assets from valuation	37	158	158
p) release of the reserve for the purchase of GO STEEL	-6 255		
r) interest on the credit for the purchase of shares		1 266	1 266
s) other	-454	1 327	1 327
3. Taxable income	-9 640	-28 433	-28 433
4. Income tax at the rate 19%	0	0	0
5. Current income tax disclosed in tax declaration for the period, including:	0	0	0
a) disclosed in profit and loss account	*8 427*	*9 134*	*9 134*
b) the adjustment of the provision for deferred income tax for the years 2005-2009			*10 432*
c) undistributed profit from previous years			*-10 432*
6. Deferred income tax due to temporary differences	8 427	9 134	9 134

NOTE 27 – PROFIT DISTRIBUTION
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 28 – Profit per 1 share
For profit-per-share calculation the number of 5 580 267 shares was adopted. 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 per ordinary share amounted to PLN 22.41.

4. 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 two operating segments distinguished:

- Electrical Sheets Segment DB,
- Profiles Segment DP.

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. For the purposes of the consolidated financial statements, these data are subject to transformation in the segment of profiles.

Revenues presented as divided into operating segments include only revenues from external customers. There are no transactions between 2 operating segments (electrical steel segment, sections 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 financial statement discloses the goods as not meeting the quantitative criterion for determining the segments, along with other services under "other activities" to balance the results of the Company.

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

Segment costs 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).

Itemization 2018	Segments			Total
	Electrical Sheets Segment	Profiles Segment	Other Activities	
Segment revenues	565 898	719 968	305 847	1 591 713
Domestic sales	44 740	515 026	97 866	657 632
Export	521 158	204 942	207 981	934 081
Segment costs	491 129	718 797	297 471	1 507 397
Segment result	**74 769**	**1 171**	**8 376**	**84 316**
Other operating income and financial income not assigned to the segment				112 802
Other general operational costs and financial costs associated to the				63 643
Gross profit				**133 475**
Income tax				8 427
Net profit				**125 048**

Segment assets	796 521	787 315	103 852	1 687 688
Assets not assigned to the segment				531 184
Total assets				2 218 872
Total liabilities	261 458	304 49	20 129	585 996
Capital expenditures	4 817	2 638	23 418	30 873
Depreciation	27 293	16 072	4 635	48 000

Itemization 2017	Segments			Total
	Electrical Sheets Segment	Profiles Segment	Other Activities	
Segment revenues	530 443	710 402	70 382	1 311 227
Domestic sales	38 983	507 420	69 840	616 243
Export	491 460	202 982	542	694 984
Segment costs	483 568	703 373	66 266	1 253 207
Segment result	**46 875**	**7 029**	**4 116**	**58 020**
Other operating income and financial income not assigned to the segment				104 225
Other general operational costs and financial costs associated to the segment				53 057
Gross profit				**109 188**
Income tax				9 134
Net profit				**100 054**
Segment assets	786 469	721 648	109 061	1 617 178
Assets not assigned to the segment				362 172
Total assets				1 979 350
Total liabilities	183 194	251 014	10 141	444 349
Capital expenditures	10 234	6 084	19 611	35 929
Depreciation	27 257	15 847	4 001	47 105

7. Financial statement of an energy enterprise

The activity of the energy company is regulated by the provisions of the Act of 10 April 1997 on Energy law (i.e. the Journal of Laws of 2018, item 755, as amended). Pursuant to Article 44 of the aforementioned Act, the Company is obliged to prepare and disclose financial reports on energy activities, including balance sheet and profit and loss account. The financial statements for the financial year 2018 have been drawn up on the basis of accounting records kept in accordance with art. 44, section 1 of the Energy Law. Individual items of the profit and loss account were separated for each type of energy activity directly from accounts or accounting records. In case of a balance sheet, the assignment of amounts to individual items results either directly from the kept records (e.g. tangible fixed assets) or using the distribution key, i.e. the share of sales from the licensed activity in the total sale of the Company.

The difference between the total of assets and liabilities resulting from the breakdown of balance sheet items using the distribution key has been included in the equity.

Profit and loss account - the activity in the area of generation, distribution and sales of electricity.	Electricity generation		*Electricity distribution*		*Sales of electricity*	
	The figures presented in the Polish zloty					
	31.12.2018 r.	31.12.2017 r.	31.12.2018 r.	31.12.2017 r.	31.12.2018 r.	31.12.2017 r.
I. Net sales of products, goods and materials, including:	**46**	**28**	**186 493**	**221 779**	**386 830**	**437 936**
1. Net sales of products	46	28	186 493	221 779	386 830	437 936
2. Net sales of goods and materials						
II. Costs of products, goods and materials sold, including:		**62 166**	**164 969**	**189 787**	**252 201**	**253 671**
1. Production cost of products sold	59 879	62 166		189 787	252 201	253 671
2. Value of goods and materials sold						
III. Gross profit (loss) on sales	**-59 834**	**-62 138**	**21 524**	**31 992**	**134 629**	**184 264**
IV. Selling costs						
V. General and administrative costs	975	975	7 418	6 240	11 499	13 260
VI. Profit (loss) on sales	**-60 809**	**-63 113**	**14 106**	**25 752**	**123 130**	**171 004**
VII. Other operating incomes						
VIII. Other operating costs						
IX. Operating profit (loss)	**-60 809**	**-63 113**	**14 106**	**25 752**	**123 130**	**171 004**
X. Financial incomes						
XI. Financial costs						
XII. Profit (loss) before taxation	**-60 809**	**-63 113**	**14 106**	**25 752**	**123 130**	**171 004**
XIII. Income tax					23 395	32 491
XIV. Net profit (loss)	**-60 809**	**-63 113**	**14 106**	**25 752**	**99 735**	**138 513**

Balance sheet - the activity in the area of generation, distribution and sales of electricity.	Electricity generation		*Electricity distribution*		*Sales of electricity*	
	The figures presented in the Polish zloty					
	31.12.2018 r.	31.12.2017 r.	31.12.2018 r.	31.12.2017 r.	31.12.2018 r.	31.12.2017 r.
Assets						
I. Fixed assets	**1 040 407**	**1 096 415**	**189 194**	**186 623**		
1. Intangible fixed assets, including						
- right of perpetual land use						
2. Tangible fixed assets	1 040 407	1 096 415	189 194	186 623		
3. Long-term receivables						
4. Long-term investments						
4.1. Real estate investments						
4.2. Intangible assets						
4.3. Long-term financial assets						
4.4. Other long-term investments						
5. Long-term prepayments						
5.1. Deferred income tax assets						
5.2. Other prepayments						
II. Current assets			**19 115**	**22 732**	**79 300**	**89 777**
1. Inventories						
2. Short-term receivables			19 115	22 732	79 300	89 777
3. Short-term investments						
3.1. Short-term financial assets						
a) loans						
b) short-term securities						
c) cash and cash equivalents						
3.2. Other short-term investments						
4. Short-term prepayments						
Total assets	**1 040 407**	**1 096 415**	**208 309**	**209 355**	**79 300**	**89 777**
Liabilities and Shareholder's Equity						
I. Shareholders' Equity	**1 040 407**	**1 096 415**	**194 884**	**198 441**	**53 450**	**68 678**
1. Share capital						
2. Own shares (stakes) (negative value)						
3. Reserve capital	1 101 215	1 159 527	180 778	172 689	-46 285	-69 836
4. Reserve capital from revaluation						
5. Other reserve capital						
6. Retained earnings (losses)						
7. Net profit (loss)	-60 809	-63 113	14 106	25 752	99 735	138 513
II. Liabilities and provisions for liabilities			**13 425**	**10 915**	**25 850**	**21 099**
1. Provisions for liabilities						
1.1. Provision for deferred income tax						
1.2. Other provisions						
a) long-term						
b) short-term						
2. Long-term liabilities						
2.1. Long-term credits and loans						

2.2. Other long-term liabilities						
3. Short-term liabilities			13 425	10 915	25 850	21 099
3.1. Short-term credits and loans						
3.2. Current part of long-term credits and loans						
3.3. Trade liabilities			13 425	10 915	25 850	21 099
3.4. Income tax liabilities						
3.5. Other short-term liabilities						
4. Accruals						
Total liabilities	**1 040 407**	**1 096 415**	**208 309**	**209 355**	**79 300**	**89 777**

Profit and loss account – *the activity in the area of generation, distribution and sales of electricity.*	Electricity generation		*Electricity distribution*		*Sales of electricity*	
	The figures presented in the Polish zloty					
	31.12.2018 r.	31.12.2017 r.	31.12.2018 r.	31.12.2017 r.	31.12.2018 r.	31.12.2017 r.
I. Net sales of products, goods and materials, including:	**210 997**	**141 335**	**23 444**	**15 704**	**179 886**	**179 621**
1. Net sales of products	210 997	141 335	23 444	15 704		179 621
2. Net sales of goods and materials						
II. Costs of products, goods and materials sold, including:	**210 997**	**141 335**	**23 444**	**15 704**	**234 441**	**157 039**
1. Production cost of products sold	210 997	141 335	23 444	15 704	234 441	157 039
2. Value of goods and materials sold						
III. Gross profit (loss) on sales	**0**	**0**	**0**	**0**	**-54 555**	**22 582**
IV. Selling costs						
V. General and administrative costs						
VI. Profit (loss) on sales	**0**	**0**	**0**	**0**	**-54 555**	**22 582**
VII. Other operating incomes						
VIII. Other operating costs						
IX. Operating profit (loss)	**0**	**0**	**0**	**0**	**-54 555**	**22 582**
X. Financial incomes						
XI. Financial costs						
XII. Profit (loss) before taxation	**0**	**0**	**0**	**0**	**-54 555**	**22 582**
XIII. Income tax						4 291
XIV. Net profit (loss)	**0**	**0**	**0**	**0**	**-54 555**	**18 291**

8. 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 Company is exposed to various types of financial risks - including changes in market prices of debt and equity instruments, fluctuations of currencies and interest rates. The overall financial risk management program of the Issuer focuses on the unpredictability of financial markets and seeks to minimize the potential negative effects on the 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 risks associated with the activities of the Company include:

a) credit risk and contractual risk,

b) liquidity risk,

c) market risk, including:

- interest rate
- currency

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		Risk level
I	10	60	58	none
	9	57	54	low
	8	53	51	low
	7	50	48	low
II	6	47	45	average
	5	44	40	average
	4	39	35	average
III	3	34	30	average
	2	29	20	significant
	1	19	14	significant
	0	13	0	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	85%	2%	13%	0%	100%
Profiles	31%	34%	29%	6%	100%
Other Activities	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	86%	3%	11%	0%	100%
Profiles	56%	24%	15%	5%	100%
Other Activities	100%	0%	0%	0%	100%

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**

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 127 259 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 amount at risk in thousand PLN	2018	2017
1. The balance sheet value of outstanding balance	282 606	243 647
2. Guarantees and letters of credit issued	20 775	24 766
3. The fair value of derivative transactions	0	0
4. Adopted securities	123 389	110 144

5. Receivables in respect of affiliated entities	52 733	72 547
The amount at risk	**127 259**	**99 004**

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

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

Aging of receivables was presented in the notes to the balance sheet No. 7d - 7e.

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 Company, 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 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 16c note.

Market Risk

Exchange Rates Risk

The exchange rate risk can be defined as the unfavourable impact of exchange rates on the Company'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 Company had:

loans granted in the amount of – PLN 26 500 thousand,

cash – PLN 27 612 thousand,

short-term revolving loans – PLN 112 674 thousand,

long-term loans – PLN 90 000 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). Due to the greater value of the balance sheet liabilities, the potential increases of interest rates will have a negative impact on the period's financial result.

SENSITIVITY TO EXCHANGE RATE RISKS	in thousand PLN	
	2018	2017
Exchange rate increase by 50 basis points		
Impact on the gross result	-743	-148
Exchange rate decrease by 50 basis points		
Impact on the gross result	743	148

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 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. In contrast to 2017, in 2018 its position was mostly characterized as open short position due to the increased USD purchases.

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 7c and 16b notes, respectively.

SENSITIVITY TO CURRENCY RISKS	in thousand PLN	
	2018	2017
PLN WEAKENING to USD & EUR by 5%		
Impact on gross result	5 630	8 228
PLN STREANGTHENING to USD & EUR by 5%		
Impact on gross result	-5 630	-8 228

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.

9. Capital management

FINANCIAL LEVERAGE RATIO	in thousand PLN	
	2018	2017
Debt	*202 674*	*173 508*
Cash	*-27 612*	*-106 771*
Net Debt	*175 062*	*66 737*
Equity	*1 632 876*	*1 535 001*
Net Debt Relation to Equity	**10,72%**	**4,35%**

In 2018, the 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 Company's objectives, its smooth and reliable operation, and to raise funds for further development.

In the reporting period a slight decrease of the net profit per share took place. The net profit per 1 share amounted to PLN 22.41 in 2018 against PLN 17.93 in 2017.

Changes in equity for the years 2018 and 2017 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, increased and is taking out 0.74.

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 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 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.

10. Other information and notes

Data on related companies

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.

Specification 2018	in thousand PLN			
	mutual claims and mutual		revenues and costs transaction liabilities	
	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		32 351	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. The receivables balance for F&R Finanse Sp. z o.o. PLN 12 804 thousand. These were typical market transactions.

Specification 2017	in thousand PLN			
	mutual claims and mutual		revenues and costs transaction liabilities	
	receivables	liabilities	receivables	costs
Stalprodukt-MB sp. z o.o.	27	1 789	555	3 737
Stalprodukt-Wamech sp. z o.o.	133	2 118	1 347	9 045
Stalprodukt-Centrostal sp. z o.o.	64 631	178	331 365	1 022
Stalprodukt-Serwis sp. z o.o.	74	1 249	677	7 639
Stalprodukt-Zamość sp. z o.o.	80	103	790	542
Stalprodukt-Ochrona sp. z o.o.	22	762	209	3 241
STP Elbud sp. z o.o.	383	4 331	2 900	22 444
Anew Institute Sp. z o.o.		68	12	2 343
ZGH Bolesław S.A.		10		264
Cynk-Mal S.A.	7 196		27 962	7 318

Moreover, in 2017 some transactions were also finalized with the entities in which the Company holds shares: Stalnet Sp. z o.o.- sales PLN 8787 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. The receivables balance for F&R Finanse Sp. z o.o. PLN 12 804 thousand. These were typical market transactions.

Estimated values

In 2018, in addition to standard estimates, unit events presented in the notes of this statement were made:

- On the date of acquisition of GO Steel Frydek Mistek a.s., provisions for the acquisition of GO Steel Frydek Mistek were created. The "Earn-Out" component: PLN 14 595 thousand and PLN 18 765 thousand for liabilities to purchase hot-rolled steel specified in the HRC contract (150 thousand tonnes for a period of 3 years, 50 thousand tonnes per year)
- At the end of 2018, the provision of PLN 6 255 thousand was released for the performance of the contract requiring the collection of an additional 50 thousand tonnes of hot-rolled steel in 2018.

Transformation of comparative data

Adjustments for	2017 data approved	2017 data transformed	difference
FIFO changes to weighted average			
stock valuation	240 268	240 445	177
result	100 054	100 231	177
Presentation of complete renovations in fixed assets			
Fixed assets	1 345 413	1 357 047	11 634
Deferred costs	11 943	309	-11 634
Provision for deferred tax	52 435	62 867	10 432
Profit/loss from previous years		-10 432	-10 432

Adjustments for fixed assets under construction in 2018 and transfer of the value of expenditures for B1 wind turbine amount of PLN 27 919 thousand to the intangible assets.

Changes in the capital structure of the Company

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 of 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 had been determined to be the day of the acquisition of control. From that moment, the Company has been 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 of the current year. 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, in the consolidated statements, 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.

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.**

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.

The bargain profit and other disclosures have been disclosed in the Consolidated Financial Report of Stalprodukt S.A. Capital Group.

Other information

1. In 2018, no activity conducted by the Issuer was abandoned.
2. There were no significant events relating to previous years included in the annual financial statements as at 31.12.2018, which distort the picture of the activities of the financial year 2018.
3. During the reporting period the Company incurred capital expenditures of PLN 30,873 thousand. Planned capital expenditures for 2019 amounts to about PLN

50,300 thousand. Capital expenditures shall be used to finance intangible fixed assets.

4. As of the balance sheet day, the Group have off-balance sheet contingent liabilities:

- performance bonds concerning the production and installation of road safety barriers totalling PLN 20,775 thousand, and in respect of the guarantee for the blank promissory note covering PLN 13 000 thousand issued by the company STP Elbud Sp. z o.o. in order to secure the investment credit granted by Bank Pekao S.A.

5. The average employment in occupational groups:
   - in 2018, total employment equalled 1,649 people, including 1,335 blue-collar and related workers, and 314 white-collar workers,
   - in 2017, total employment equalled 1,651 people, including 1,347 blue-collar and related workers, and 304 white-collar workers.

6. Remunerations, including awards, paid to managing and supervising staff in the Company amounted in the 2018 - PLN 3,792 thousand, and in the year 2017 - PLN 3,794 thousand, including the remuneration of the Management Board as appropriate: PLN ,473 and PLN 3,393 thousand, and the remuneration of the Supervisory Board amounted to PLN 319 and PLN 401 thousand.

7. Remuneration of the management and supervisory bodies of the Issuer for performing their functions in the governing bodies of subsidiaries amounted in the year 2018 - PLN 397 thousand, including managers PLN 340 thousand, and supervisors PLN 57 thousand, while in 2017 - PLN 340 thousand, including the managers PLN 246 thousand, and supervisors PLN 94 thousand.

8. The remuneration for the audit company was:

- for the review of the semi-annual separate statement – PLN 18,000;
- for the review of the semi-annual consolidated statement – PLN 16,000.

In addition, the price for auditing annual financial statements shall be:

- separate financial statement – PLN 45,000;
- consolidated financial statement – PLN 22,000.

9. Both, Stalprodukt S.A. and its subsidiaries did not give advances, credits, loans and guarantees or sureties to members of the Management Board and the Supervisory Board, except for loans from the Social Fund.

10. After 31.12.2018, in addition to the information contained in this report and the report of the Management Board, there were no other events not included in the financial statements for the year 2018, which could materially affect the situation in the Company and its future financial results.

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

12. The Issuer, as the Parent Company, draws up the consolidated financial statements under the full method, including all the subsidiaries therein.

13. These financial statements of Stalprodukt S.A. for 2018 was approved by the Management Board of the Company for publication on 30 April 2018.

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Łukasz Mentel	Józef Ryszka
Member of the Management Board – Financial Director	Member of the Management Board – Marketing Director

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Piotr Janeczek

President of the Management Board – CEO