Stalprodukt S.A.

Financial Statement of Stalprodukt S.A. for Year 2019

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

Bochnia, April 2020

Selected financial data

SELECTED FINANCIAL DATA	thousands of PLN		thousands of EUR	
	2019	2018	2018	2018
I. Net sales of products, goods and materials	1 508 581	1 591 713	350 686	373 037
II. Operating profit (loss)	-4 439	33 097	-1 032	7 757
III. Profit (loss) before taxation	96 053	133 475	22 329	31 281
IV. Net profit (loss)	92 808	125 048	21 574	29 307
V. Net cash flow from operating activities	115 108	-24 996	26 758	-5 858
VI. Net cash flow from investment activities	79 386	-58 943	18 454	-13 814
VII. Net cash flow from financial activities	-170 486	4 780	-39 631	1 120
VIII. Total net cash flow	24 008	-79 159	5 581	-18 552
IX. Total assets	2 148 481	2 218 872	504 516	516 017
X. Liabilities and provisions for liabilities	469 336	585 996	110 212	136 278
XI. Long-term liabilities	107 126	70 000	25 156	16 279
XII. Short-term liabilities	251 909	404 095	59 154	93 976
XIII. Shareholders' equity	1 679 145	1 632 876	394 304	379 739
XIV. Share capital	11 161	11 161	2 621	2 596
XV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XVI. Profit (loss) per ordinary share (PLN)	16,63	22,41	3,87	5,25
Diluted profit (loss) per ordinary share (PLN)	16,63	22,41	3,87	5,25
XVII. Book value per share (PLN)	300,91	292,62	70,66	68,05
Diluted book value per share (PLN)	300,91	292,62	70,66	68,05
XVIII. Declared or paid-out dividend for one share in (PLN/EUR)	5,00	3,00	1,16	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 2019 and 2018, 4.2585 and 4.3000 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 2019 and 2018, 4.3018 and 4.2669 respectively
c) the lowest rate for 2019 and 2018, 4.2406 and 4.1423 respectively
d) the highest rate in 2019 and 2018, 4.3891 and 4.3978 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 31.12.2019 and amounting to 4.2585 and 4.3000 as at 31.12.2018 (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 4.3018 for the year 2019 and 4.2669 for the year 2018 (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 2019 in respect of 2018.

BALANCE SHEET AS 31 DECEMBER 2019

BALANCE SHEET	Notes	thousands of PLN	
		2019	2018
Assets			
I. Fixed assets		**1 521 494**	**1 507 844**
1. Intangible fixed assets, including	1	118 340	71 825
- right of perpetual land use		86 920	41 033
2. Tangible fixed assets	2	822 231	841 862
3. Long-term receivables	3		
4. Long-term investments	4	578 411	592 476
4.1. Real estate investments		52 317	62 974
4.2. Intangible assets			
4.3. Long-term financial assets		526 094	529 502
4.4. Other long-term investments			
5. Long-term prepayments		2 512	1 681
5.1. Deferred income tax assets	5	2 512	1 681
5.2. Other prepayments			
II. Current assets		**626 987**	**711 028**
1. Inventories	6	300 833	377 107
2. Short-term receivables	7	251 769	282 606
- including trade receivables in excess of 1 year		435	575
3. Short-term investments		74 080	51 113
3.1. Short-term financial assets	8	73 121	51 112
a) loans		21 500	23 500
b) short-term securities			
c) cash and cash equivalents		51 621	27 612
3.2. Other short-term investments		959	1
4. Short-term prepayments	9	304	202
Total assets		**2 148 481**	**2 218 872**
Liabilities and Shareholder's Equity			
I. Shareholders' Equity		**1 679 146**	**1 632 876**
1. Share capital	10	11 161	11 161
2. Reserve capital		103 749	104 184
3. Reserve capital from revaluation	11		
4. Other reserve capital	12	1 500 062	1 402 915
5. Retained earnings (losses)	13	-28 634	-10 432
6. Net profit (loss)		92 808	125 048
II. Liabilities and provisions for liabilities		**469 335**	**585 996**
1. Provisions for liabilities	14	105 133	105 944
1.1. Provision for deferred income tax		75 325	71 458
1.2. Other provisions		29 808	34 486
a) long-term		25 948	32 665
b) short-term		3 860	1 821

2. Long-term liabilities	15	107 126	70 000
2.1. Long-term credits and loans		50 000	70 000
2.2. Other long-term liabilities		57 126	
3. Short-term liabilities	16	251 909	404 095
3.1. Short-term credits and loans		0	112 674
3.2. Current part of long-term credits and loans		20 000	20 000
3.3. Trade liabilities		203 539	243 046
- including trade receivables in excess of 1 year		2 455	1 979
3.4. Income tax liabilities			
3.5. Other short-term liabilities		28 370	28 375
4. Accruals	17	5 167	5 957
Total liabilities		**2 148 481**	**2 218 872**

Book value		**1 679 145**	**1 632 876**
Number of shares		**5 580 267**	**5 580 267**
Book value per share (PLN)	**18**	**300,91**	**292,62**
Diluted number of shares		**5 580 267**	**5 580 267**
Diluted book value per share (PLN)		**300,91**	**292,62**

CONSOLIDATED PROFIT AND LOSS ACCOUNT	Note	thousand x PLN	
		2019	2018
I. Net revenue from sale of products, goods and materials, including:		**1 508 581**	**1 591 713**
1. Net revenue from sale of products	*19*	1 224 174	1 294 801
2. Net revenue from sale of goods and materials	*20*	284 407	296 912
II. Costs of sold products, goods and materials, including:	*21*	**1 418 468**	**1 465 879**
1. Cost of manufacture of sold products	*21*	1 136 508	1 176 832
2. Value of sold goods and materials	*21*	281 960	289 047
III. Profit (loss) gross on sales		**90 113**	**125 834**
IV. Costs of sales		47 938	41 518
V. General administrative costs		42 990	46 363
VI. Profit (loss) on sales		**-815**	**37 953**
VII. Other operational revenue	*22*	10 877	4 342
VIII. Other operational costs	*23*	14 501	9 198
IX. Profit (loss) from operational activity		**-4 439**	**33 097**
X. Financial revenue	*24*	110 907	108 460
XI. Financial costs	*25*	10 415	8 082
XII. Profit (loss) gross		**96 053**	**133 475**
XIII. Income tax	*26*	3 245	8 427
XIV. Profit (loss) net	*27*	**92 808**	**125 048**

Profit net		**92 808**	**125 048**
Weighted average number of ordinary shares		**5 580 267**	**5 580 267**
The weighted average number of ordinary shares adjusted against own shares		**5 580 267**	**5 580 267**
Profit (loss) for one ordinary share (in PLN)	*28*	**16,63**	**22,41**

TOTAL COMPREHENSIVE CONSOLIDATED INCOME	**thousand x PLN**		
	Note	**2019**	**2018**
Net result		92 808	125 048
Differences from evaluation			
Total Comprehensive Income		**92 808**	**125 048**

Statement of changes in equity for the period from 1st January to 31st December 2019 and 2018	thousand x PLN						
	Share capital	Supplementary capital	capital from revaluation	Other reserve capital	Retained profit from previous years	Retained profit from current year	Equity in TOTAL
As of 1.01.2019 (opening balance)	**11 161**	**104 184**	**0**	**1 402 915**	**114 616**		**1 632 876**
Profit distribution				97 147	-97 147		**0**
Intercapital transfer		-434					**-434**
Dividend					-27 901		**-27 901**
Loss from previous years					-18 203		**-18 203**
Total comprehensive income for period 1.01 - 31.12.2019						92 808	**92 808**
As of 31.12.2019 (End of Period)	**11 161**	**103 750**	**0**	**1 500 062**	**-28 635**	**92 808**	**1 679 146**
As of 01.01.2018 (Beginning of Period)	**11 161**	**104 184**	**0**	**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**
Total comprehensive income for period 1.01 - 31.12.2018					-10 432		**-10 432**
As of 31.12.2018 (End of Period)						125 048	**125 048**
	11 161	**104 184**	**0**	**1 402 915**	**-10 432**	**125 048**	**1 632 876**

CASH FLOW ACCOUNT	thousand x PLN	
	2019	2018
A. Cash flow from operational activity - indirect	115 108	-24 996
I. Profit (loss) net	**96 053**	**133 475**
Tax paid		**0**
II. Adjustments in total	**19 055**	**-158 471**
1. Depreciation	51 605	48 000
2. (Profit) loss from exchange rate fluctuations	10	
3. Interest and profit share (dividends)	-94 514	-92 530
4. (Profit) loss on investment activities	662	5 226
5. Change in reserves	-811	2 860
6. Change in inventories	77 820	-136 839
7. Change in receivables	30 837	-38 959
8. Change in short-term liabilities except for loans	-39 566	65 108
9. Change in accruals	-3 743	-2 910
10. Other adjustments	-3 245	-8 427
III. Net cash flow from operating activities	**115 108**	**-24 996**
B. Cash flow from investment activity	79 386	-58 943
I. Inflows	**108 469**	**111 335**
1. Sales of intangible and tangible fixed assets	58	49
2. Sales of real estate properties and intangible		
3. From financial assets, including:	108 411	111 286
- financial assets sold		
- dividends and profit share received	102 311	98 612
- repayments of long-term loans granted		
- interest received	1 100	1 564
- other inflows from financial assets	5 000	11 110
4. Other investment inflows		
II. Outflows	**-29 083**	**-170 278**
1. Purchase of intangible and tangible fixed assets	-29 083	-31 181
2. Real estate property and intangible assets		
3. To financial assets, including:		-139 097
- financial assets purchased		-138 597
- long-term loans granted		-500
4. Other investment outflows		
III. Net cash flow from investment activities	**79 386**	**-58 943**
C. Cash flow from financial activity	-170 486	4 780
I. Inflows		**90 000**
1. Net inflows from issue of shares, other capital		
2. Credits and loans		90 000
3. Issue of debentures		
4. Other financial inflows		0
II. Outflows	**-170 486**	**-85 220**
1. Purchase of own shares		
2. Dividends and other dues paid to shareholders	-27 901	-16 741
3. Outflows from profit distribution, other than dues		

4. Credits and loans repaid	-132 674	-60 833
5. Redemption of debentures		
6. From other financial liabilities		
7. Contractual payments of financial lease dues	-54	
8. Interest paid	-8 897	-7 646
9. Other financial outflows	-958	0
III. Net cash flow from financial activities	**-170 486**	**4 780**
D. Net cash flow, total	**24 008**	**-79 159**
E. Balance sheet change in cash, including:	**24 008**	**-79 159**
F. Cash (beginning of period)	**27 612**	**106 771**
G. Cash (end of period), including:	**51 621**	**27 612**

Cash at beginning of the reporting period represent the amount of PLN 27,612 thousand, including cash at hand PLN 117 thousand, on bank accounts PLN 27,495 thousand, and at the end of the reporting period PLN 51,621 thousand, including PLN 80 thousand cash at hand and PLN 51,541 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.

Notes on the cash-flow statement for 2019

1	Change in inventories in the balance sheet	76 273
	Adjustment for spare parts transferred to fixed assets	1 547
	Change in inventories in cash-flows	77 821
		0
2	Change in short-term liabilities	-152 186
	Adjustment for a change in loans	-112 674
	Adjustment for long-term liabilities	-54
	Liabilities to cash-flows	-39 566
3	Change in the balance of long-term prepaid expenses	-831
	Change in the balance of short-term prepaid expenses	-102
	Change in accruals	-790
	Prepaid expenses total	-1 723
	Accruals for repairs – transferred to fix assets	-2 020
	Change in prepaid expenses after adjustments to cash-flows	-3 743
4	Other adjustments - adjustment for deferred tax	-3 245

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 2019, and comparable financial data for the year 2018.

Composition of Management Board's and Supervisory Board

In the period from 01 January 2019 to 31 December 2019, 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 2019 to 31 December 2019, 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 31.12.2019 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-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
2.	Stalprodukt-Centrostal sp. z o.o.	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997	100.00	100.00	100.00
3.	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
4.	Stalprodukt-Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000	100.00	100.00	100.00
5.	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
6.	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
7.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	100.00	100.00	100.00
8.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	94.93	94.93	94.93
9.	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

10.	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	94.93
11.	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	94.93
12.	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	92.82	92.82	88.11
13.	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	94.56
14.	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	80.00	74.29	80.00
15.	Stalprodukt-Profil S.A.	Bochnia	trade of metallurgical products	shares held by Stalprodukt S.A./personal links	not applicable	not applicable	19.51	19.51	19.51
16.	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
17.	STP Investment S.A.	Bochnia	financial activity	personal	not applicable	not applicable	0.00	0.00	0.00
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	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 December 16, 2019, the accounting principles (policy) were updated to take into account the adjustment to the requirements of IFRS 16 regarding leasing.

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%).

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

b) 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).

c) 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.

The right of perpetual usufruct of land is depreciated in accordance with IFRS 16.

d) 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.

e) 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.

f) 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.

g) 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.

h) 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.

i) 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.

j) 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.

k) 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.

l) 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.

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

m) fixed assets used based on the financial lease agreements that transfer for the beneficiary, all benefits and risks associated with ownership of the assets are generally recognized in the balance sheet according to the cost model, as all tangible fixed assets. Lease fees are divided between financial costs and reduction of outstanding liability balance. Financial costs are recorded directly in the profit and loss account. Fixed assets used based on financial lease agreements are depreciated over their useful life. Agreements classified as operating lease are accounted for as finance leases. The costs of leasing fees are charged to the income statement on a straight-line basis over the period of the agreement,

n) in accordance with IFRS No. 3, negative goodwill at the time of its creation is written off once into revenues. Negative goodwill that arose before the date of transition to IAS was removed from the balance sheet and written off in full in the undistributed result from previous years, thereby increasing equity. Negative goodwill arising after 1 January 2004 is directly related to the profit and loss account (increase of the financial result).

Current assets

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.

a) 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.

Receivables are valued taking into account the risk of estimated credit losses in accordance with from IFRS 9.

b) 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

1.1. 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.

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.

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 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.

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.

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.

1.2. 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.

1.3. 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.

1.4. 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.

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.

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.

1.5. 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

1. 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.

2. According to IFRS 15 revenues are recognized when the customer obtains control of a good or service. The customer obtains such control when he is able to manage the use of the good or services and gain benefits from them.

3. An entity shall recognize a contract with a customer that is within the scope of this standard only if all of the following criteria are met:

a) the parties have concluded a contract (in writing, orally or in accordance with other customary commercial practices) and are required to perform their obligations;
b) the entity is able to identify the rights of each party regarding the goods or services to be transferred;
(c) the entity is able to identify the payment terms for the goods or services to be transferred;
d) the contract has economic substance (i.e. the risk, distribution over time or future cash flows of the entity can be expected to change as a result of the contract); and
(e) it is likely that the entity will receive the consideration that it will be entitled to receive in exchange for goods or services that will be provided to the customer.

4.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.

5.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.

6. 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.

7. 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).

8.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.

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 acc. to IFRS 16 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.

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.

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 2018, 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 2019:

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

The Issuer applied IFRS 16 retrospectively with the combined effect of applying the standard recognized on the date of first application (simplified method). The issuer did not transform the comparative data, instead it included the cumulative effect of the first application as an adjustment to the opening balance of retained earnings on the date of the first application. The value of the asset due to the right of perpetual usufruct is PLN 118,340 thousand, and was valued in the amount equal to the liability for lease fees and initial payment. The annual fee due to perpetual usufruct is PLN 3,958 thousand, while depreciation and amortization PLN 1,101 thousand and interests of PLN 2,857 thousand. The estimated market value significantly exceeds the book value, and the discounted annual fee in the period to the end of perpetual usufruct, due to its long period, is very sensitive to the adopted level of interest rate. The perpetual usufruct liability defined by IFRS 16 as leasing was measured at the current value of other perpetual usufruct fees (leasing fees) discounted during its useful life. To discount the liability for annual perpetual payments, the interest rate is made up of 10-year bonds and risk premium. The amount of the liability measured was recognized in the statement of financial position, in part related to the revaluation as at the date of transition to IFRS in profit / loss from previous years, and the rest to the right of perpetual usufruct.

Item	2018	2019 (MSSF 16)
Aktywa		
Intangible assets *increase due to IFRS16*	71 825	118 340
including the right of perpetual usufruct of the land	41 033	86 920
Investment properties	62 974	52 317

Pasywa		
Long-term liabilities, increase due to IFRS16	0	57 126
Intangible assets revaluation write-off - loss from previous years	0	-18 202
Profit and Loss Account		
Perpetual usufruct fees	2 731	2 912
Depreciation 2019		1 101
financial costs		2 857
Impact on the financial result		-1 047

The increase in the value of investment properties due to the application of IFRS 16 amounts to PLN 5,926, the reduction of PLN 14,691 results from the transfer to fixed assets - expiry of the lease contract.

Apart from the new standard indicated above, other changes do not applyto the Company's operations or will not affect the financial statements. Standards approved by the International Accounting Standards Board for use after January 1, 2019:

- *Amendments to IFRS 9 "Financial Instruments" - early repayment right with negative remuneration,*
- *Amendments to IAS 28: investments in associates "- valuation of long-term investments*
- *Annual program of amendments 2015-2017: Amendments to IFRS 3 "Business combinations" - valuation of shares in joint operations at the time of taking control; amendments to IFRS 11 "Joint Arrangements" - no valuation in joint operations when joint control is taken, amendments to IAS 12 "Income tax" - recognition of tax consequences of dividend payment, Amendments to IAS 23 "Borrowing costs" - classification of liabilities incurred to obtain a qualifying asset*
- *Amendments to IAS 19 'Employee Benefits' - changes to the defined benefit program*
- *IFRIC 23 "Uncertainty Related to Income Taxes"*

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

- *Changes in reference to IFRS Conceptual Framework*
- *Amendments to IFRS 3 "Business combinations" - project definition*
- *Amendments to IAS 1 and IAS 8 - definition of the term 'material'*
- *Amendments to IFRS 9, IAS 39 and IFRS 7 - reform of the IBOR*
- *IFRS 17 "Insurance contracts"*

3. Notes

NOTE 1a - INTANGIBLE ASSETS	thousands of PLN	
	2019	2018
1. concessions, patents, licenses and similar	284	391

a) computer software	*220*	*220*
2. right of perpetual land use	86 920	41 033
3. research and development works	29 895	27 919
4. other intangible assets	1 241	2 482
Intangible assets, total	**118 340**	**71 825**

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	**27 919**		**1 089**	**945**	**6 203**	**41 033**	**76 244**
1. increase (due to)	**1 976**		**104**	**104**		**62 297**	**64 377**
- purchase			*104*	*104*			*104*
- change in the balance of development costs	***1 976***						*1 976*
- reclassification from investment properties						*11 043*	*11 043*
- increases due to IFRS 16						*51 254*	*51 254*
2. decrease (due to)			**64**	**29**			**64**
- liquidation			*64*	*29*			*64*
- sales							
II. gross value of intangible assets at the end of the period	***29 895***		**1 129**	**1 020**	**6 203**	**103 330**	**140 557**
1. accumulated depreciation (amortization), at the beginning of the period			**698**	**725**	**3 721**	**15 382**	**19 801**
2. depreciation for the period (due to)			**147**	**115**	**1 241**	**1 028**	**2 416**
- depreciation allocated to the costs			*211*	*144*	***1 241***	*1 028*	*2 480*
- decrease due to liquidation			*64*	*29*			*64*
III. accumulated depreciation (amortization) at the end of the period			**845**	**840**	**4 962**	**16 410**	**22 217**
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	**29 895**		**284**	**180**	**1 241**	**86 920**	**118 340**

NOTE 2a - TANGIBLE FIXED ASSETS	thousands of PLN	
	2019	2018
1. fixed assets, including:	**753 162**	**796 713**
a) land	*20 727*	*20 522*
b) buildings, premises, civil engineering objects	*194 402*	*204 953*
c) plants and machinery	*529 635*	*563 239*
d) means of transport	*4 035*	*3 405*
e) other fixed assets	*4 362*	*4 594*
2. fixed assets under construction	**69 069**	**45 149**
Tangible fixed assets, total	**822 231**	**841 862**

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 5,26 % lower than in the previous year.

NOTE 2B -BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)	w tys. zł	
	2019	2018
1. own assets	753 162	796 713
Total balance sheet fixed assets	**753 162**	**796 713**

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	**20 522**	**365 988**	**883 272**	**6 284**	**7 030**	**1 283 096**
1. increase (due to)	**205**	**2 910**	**3 809**	**1 176**	**229**	**8 329**
a) investment	*205*	*263*	*1 211*	*1 176*	*229*	**3 084**
b) change in the state of major repairs *			*2 598*			**2 598**
c) change of status of long-term investments		*2 647*				**2 647**
d) change in the state of the exchangeable parts classified in accordance with IAS to fixed assets						**0**
2. decrease (due to)		**1 962**	**2 413**	**27**	**33**	**4 435**
a) sale			*162*	*27*		**189**
b) liquidation		*1 385*	*704*		*33*	**2 122**
c) change in the state of major repairs *		*577*				**577**
d) change of status of long-term investments			*1 547*			**1 547**
e) change in the state of the exchangeable parts classified in accordance with IAS to fixed assets						**0**
II. gross value of fixed assets at the end of the period	**20 727**	**366 936**	**884 668**	**7 433**	**7 226**	**1 286 990**
1. accumulated depreciation (amortization), at the beginning of the period		**161 035**	**320 033**	**2 879**	**2 436**	**486 383**
2. depreciation for the period (due to)		**11 499**	**34 999**	**519**	**428**	**47 445**
a) depreciation included in costs		*12 324*	*35 742*	*541*	*446*	**49 053**
b) reduction due to sale			*81*	*22*		**103**
c) reduction due to liquidation		*825*	*662*		*18*	**1 505**
d) reduction due to inventory shortages						**0**
e) decrease in respect of the reclassification						**0**
f) decrease in respect of revaluation						**0**
III. accumulated depreciation (amortization) at the end of the period		**172 534**	**355 032**	**3 398**	**2 864**	**533 828**
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	**20 727**	**194 402**	**529 636**	**4 035**	**4 362**	**753 162**

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

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

NOTE 4 - LONG-TERM INVESTMENT (ACC. TO TITLES)	thousands of PLN	
	2019	2018
1. investment properties	**52 317**	**62 974**
2. long-term financial assets	**526 094**	**529 502**
a) stocks and shares	*526 094*	*526 502*
b) long-term loans		*3 000*
Long-term investment, total	**578 411**	**592 476**

NOTE 4a - CHANGE OF STATUS OF REAL ESTATE INVESTMENT	thousands of PLN	
	2019	2018
1. balance at the beginning of the period	**62 974**	**93 239**
2. increases (due to)	**5 926**	
a) discounted value of perpetual usufruct right	5 926	
3. decreases (due to)	**16 583**	**30 265**
a) amortization	*1 892*	*2 978*
b) liquidation of facilities		*2 264*
c) reclassification to fixed assets	*14 691*	*25 023*
4. balance at the end of the period	**52 317**	**62 974**

Investment properties constitute fixed assets including: the right of perpetual usufruct of land PLN 5,853 thousand, land PLN 148 thousand and buildings and structures PLN 46,316 thousand. These properties are not intended for sale. Total revenues from rent for the year 2019 amounted to PLN 4,860 thousand, while the costs associated with these real properties are estimated approximately at PLN 4,432 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 80 328 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 75 000 thousand.

NOTE 4b – LONG-TERM FINANCIAL ASSETS (OWNERSHIP STRUCTURE)	thousands of PLN	
	2019	2018
1. in subsidiaries	**525 975**	**529 383**
a) shares	*525 975*	*526 383*
b) loans granted		*3 000*
2. in other entities	**119**	**119**
a) shares	*80*	*80*
b) shares in associates	*39*	*39*
c) loans granted		
Long-term financial assets, total	**526 094**	**529 502**

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.

NOTE 4c - CHANGE IN THE BALANCE OF LONG- TERM FINANCIAL ASSETS (BY GROUP TYPES)	thousands of PLN	
	2019	2018
1. balance at the beginning of the period	**529 502**	**360 655**
2. increase (due to)	**26**	**171 957**
a) purchase of shares	*26*	*171 957*
b) reclassification of loans from short- to long-term ones		
c) subscription for shares in respect of the capital increase		
3. decrease (due to)	**3 434**	**3 110**
a) change in the value of shares as a result of a merger	*434*	
b) loans repaid	*3 000*	*1 110*
c) reclassification of loans from long- to short-term ones		*2 000*
4. balance at the end of the period	**526 094**	**529 502**

Long-term financial assets, total	**526 094**	**529 502**

The amount of PLN 3,000,000 relates to the repaid portion of the long-term loan granted to Cynk Mal S.A.

The amount of PLN 26 thousand results from the increase in the share capital of ZGH "Bolesław" S.A. up to 94.93%. The Increase occurred as part of the process of repurchasing employees' shares of ZGH "Bolesław" S.A.

The amount of PLN 434 thousand results from the settlement of the equity of the combined companies: Stalprodukt-Wamech Sp. z o.o., Stalprodukt-MB Sp. z o.o. and Stalprodukt-Serwis Sp. z o.o.

NOTA 4e - UDZIAŁY LUB AKCJE W JEDNOSTKACH ZALEŻNYCH

Lp.	w tys. zł																		
	a	m							n			o			p	r	s	t
	nazwa jednostki	kapitał własny jednostki, w tym:				- pozostały kapitał własny, w tym:			zobowiązania i rezerwy na zobowiązania jednostki, w tym:			należności jednostki, w tym:			aktywa jednostki, razem	przychody ze sprzedaży	nieopłacona przez emitenta wartość udziałów / akcji w jednostce	otrzymane lub należne dywidendy od jednostki za ostatni rok obrotowy
			- kapitał zakładowy	- należne wpłaty na kapitał zakładowy (wielkość ujemna)	- kapitał zapasowy	kapitał rezerwowy	zysk (strata) z lat ubiegłych	zysk (strata) netto		- zobowiązania długoterminowe	- zobowiązania krótkoterminowe		- należności długoterminowe	- należności krótkoterminowe				
1.	Stalprodukt-Wamech sp. z o.o.	**18 591**	*4 270*		*0*	*12 723*	*-990*	*2 588*	**9 203**	*0*	*5 935*	**10 317**	*0*	*10 317*	**27 793**	**35 292**		2 900
2.	Stalprodukt-Centrostal sp. z o.o.	**10 555**	*10 797*		*0*	*1 648*	*-502*	*-1 388*	**3 577**	*2 223*	*1 058*	**3 339**	*0*	*3 339*	**14 132**	**5 291**		4 800
3.	Stalprodukt-Zamość sp. z o.o.	**26 177**	*2 450*			*22 127*		*1 600*	**10 493**	*2 510*	*6 954*	***7 345***	*0*	*7 345*	**36 670**	**64 314**		
4.	Stalprodukt-Ochrona sp. z o.o.	**1 620**	*600*		*0*	*1 184*	*-91*	*-73*	**632**	*0*	*632*	***1 577***	*0*	*1 577*	**2 252**	**5 124**		
5.	STP-Elbud sp. z o.o.	**39 860**	*20 613*		*36 150*	*2 118*	*-7 138*	*-11 883*	**28 546**	*337*	*26 742*	***19 611***		*19 611*	**68 406**	**111 635**		
6.	Cynk-Mal S.A.	**31 363**	*20 191*		*22 496*		*-15 286*	*3 962*	**30 590**	*6 454*	*24 137*	***8 404***	*0*	*8 404*	**61 954**	**68 479**		
9	Anew Institute sp. z o.o.	**8 860**	*14 649*		*76*	*21*	*-5 184*	*-702*	**3 543**	*0*	*1 272*	***126***		*126*	**12 404**	**1 125**		
8.	ZGH Bolesław	**1 078 538**	*166 116*		*671 789*	*114 790*	*-3 286*	*129 129*	**565 477**	*56 220*	*268 343*	***213 392***	*0*	*213 392*	**1 644 016**	**1 312 927**		94 610
9.	GO Steel Frydek Mistek a.s.	**215 281**	*203 802*				*-653*	*12 133*	**88 890**	*36 552*	*52 338*	***57 726***	*32*	*57 694*	**304 171**	**398 493**		

The Management Board of ZGH "Bolesław" S.A. informed the Issuer on 29/04/2020 of adopting a resolution on the termination of the extraction of zinc - lead ores from the "Olkusz - Pomorzany" Mine on 31/12/2020. The termination of mining means the submission of a statement of surrender owned mining licenses and *commencement of the mine liquidation process. The cost of decommissioning the "Olkusz-Pomorzany" mine according to the decommissioning program is estimated at approx. PLN 140 million, which has been included in the balance sheet of ZGH in the form of a created provision (PLN 116.8 million) and funds accumulated on the mine closure fund (PLN 19.8 million). Closing the mine will not adversely affect the continuation of the business of ZGH "Bolesław" S.A.*

NOTA 4e' - UDZIAŁY LUB AKCJE W JEDNOSTKACH ZALEŻNYCH																			
	w tys. zł																		
	a	m							n			o			p	r	s	t
	nazwa jednostki	kapitał własny jednostki, w tym:							zobowiązania i rezerwy na zobowiązania jednostki, w tym:			należności jednostki, w tym:			aktywa jednostki, razem	przychody ze sprzedaży	nieopłacona przez emitenta wartość udziałów / akcji w jednostce	otrzymane lub należne dywidendy od jednostki za ostatni rok obrotowy
Lp.			- kapitał zakładowy	- należne wpłaty na kapitał zakładowy (wielkość	- kapitał zapasowy	- pozostały kapitał własny, w tym:	zysk (strata) z lat ubiegłych	zysk (strata) netto		- zobowiązania długoterminowe	- zobowiązania krótkoterminowe		- należności długoterminowe	- należności krótkoterminowe				
1.	BOLTECH Sp. z o.o.	**59 185**	*16 262*		*47 629*		*-6 054*	*1 348*	**55 210**	*8 328*	*34 770*	**33 617**	*703*	*32 914*	**114 395**	**236 375**		
2.	Karo Sp. z o.o.	**852**	*300*		*535*		*0*	*17*	**1 060**	*39*	*967*	**806**	*0*	*806*	**1 912**	**7 311**		
3.	Huta Cynku Miasteczko Śląskie S.A.	**440 506**	*79 000*		*203 188*	*106 112*	*-7 824*	*60 030*	**156 727**	*39 924*	*81 352*	**115 617**	*0*	*115 617*	**597 233**	**976 595**		
4.	Gradir Montenegro d.o.o.	**32 355**	*93 290*		*0*	*-1 055*	*-62 361*	*2 481*	**82 399**	*59 754*	*18 908*	**3 933**	*0*	*3 933*	**114 753**	**72 046**		

NOTE 4f – STOCKS OR SHARES IN AN ASSOCIATED COMPANY									
w tys. zł									
a	b	c	d	e		f	g	h	i
				including:					
Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	book value of shares		- capital held	Percentage of capital held	Total number of votes at a general meeting	The value of shares not paid by the issuer	Dividends received or receivable for the last financial

									year
Stalprodukt Profil S.A.	Bochnia	Internet commerce	80	80 364	410	19.51	19.51		

NOTE 4g' – STOCKS OR SHARES IN AN ASSOCIATED COMPANY

w tys. zł

a	b	c	d	e		f	g	h	i
				including:					
Name (company) of the unit, indicating its legal form	**Seat**	**Object of the enterprise**	**book value of shares**		**- capital held**	**Percentage of capital held**	**Total number of votes at a general meeting**	**The value of shares not paid by the issuer**	**Dividends received or receivable for the last financial year**
StalNet Sp. z o.o.	Bochnia	Internet commerce	39	57 186	200	28.00	28.00		

NOTE 5 - Change in assets due to deferred income tax	thousands of PLN	
	2019	**2018**
1. Balance of assets due to deferred income tax, at the beginning of the period, including:	**1 681**	**1 517**
a) attributed to the financial result	*1 681*	*1 517*
b) attributed to equity		
2. Increases	**2 621**	**1 419**
a) attributed to financial result of the period in respect of deductible temporary differences (due to)	*2 621*	*1 419*
- appearance of temporary differences	*2 621*	*1 419*
b) attributed to equity in respect of negative temporary differences (due to)		
3. Decreases	**1 790**	**1 255**
a) attributed to financial result of the period in respect of negative temporary differences (due to)	*1 790*	*1 255*
- reversal of temporary differences	*1 790*	*1 255*
- 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:	**2 512**	**1 681**
a) attributed to the financial result	*2 512*	*1 681*
b) attributed to equity		

NOTE 5a – The amounts of negative temporary differences by main groups of assets and liabilities	thousands of PLN	
	2019	**2018**
1. inventory (materials and products)	*5 934*	*2 377*
2. receivables	*1 110*	*1 274*
3. liabilities for employee benefits	*2 595*	*4 525*
4. liabilities and other bonus	*2 494*	*673*
Total negative temporary differences	*1 090*	
Tax rate	**13 223**	**8 849**
Assets due to deferred income tax	19%	19%

NOTE 6 – Inventory	thousands of PLN	
	2019	**2018**
1. materials	152 715	193 001
2. semi-finished products and work in progress	57 063	51 878
3. finished products	79 124	126 249
4. goods	11 931	5 979
Inventory, total	**300 833**	**377 107**

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 PLN 3,557 thousand. Advances for deliveries demonstrated in receivables for deliveries and services. The value of advances for deliveries as at 31.12.2019 amounts to PLN 13,826 thousand.

NOTE 7a – Short-term receivables	thousand x PLN	
	2019	2018
1. from related parties	**32 475**	**52 733**
a) trade receivables, maturing:	32 475	52 733
- up to 12 months	*32 475*	*52 733*
- above 12 months		
2. receivables from other entities	**219 294**	**229 873**
a) trade receivables, maturing:	192 524	214 616
- up to 12 months	*192 089*	*214 041*
- above 12 months	*435*	*575*
b) receivables from tax, subsidy, customs, social security and other benefits	20 900	10 203
c) other	5 869	5 054
Net short-term receivables, total	**251 769**	**282 606**
a) write-downs of receivables	1 931	1 748
Gross short-term receivables, total	**253 700**	**284 354**

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	
	2019	2018
Balance at the beginning of the period	**1 748**	**2 727**
1. increase (due to)	**655**	**308**
a) provision for doubtful receivables	*655*	*308*
2. decrease (due to)	**472**	**1 287**
a) cancellation		
b) adjustment	*133*	*505*
c) payment	*339*	*782*
Balance of short-term receivables write-downs at the end of the period	**1 931**	**1 748**

NOTE 7c – Gross short-term receivables (currency structure)	thousands of PLN	
	2019	2018
1. in Polish currency	**123 256**	**137 751**
2. in foreign currencies (according to currencies converted into PLN)	**130 444**	**146 603**
a) in EURO	*26 126*	*26 636*
converted into PLN	**111 264**	**114 409**
b) in USD	*5 044*	*8 527*
converted into PLN	**19 180**	**32 194**
Short-term receivables, total	**253 700**	**284 354**

NOTE 7d – Trade receivables (gross) – maturing as at the balance day:	thousands of PLN	
	2019	2018
up to 1 month	*109 566*	*129 261*
above 1 month up to 3 months	*86 125*	*86 760*
above 3 months up to 6 months		
above 6 months up to 1 year		
above 1 year	*435*	*575*
overdue receivables	*30 804*	*52 501*
Trade receivables, total (gross)	**226 930**	**269 097**
trade receivables write-downs	*1 931*	*1 748*
Trade receivables, total (net)	**224 999**	**267 349**

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	
	2019	2018
up to 1 month	*26 262*	*40 114*
above 1 month up to 3 months	*2 195*	*10 431*
above 3 months up to 6 months	*331*	*278*
above 6 months up to 1 year	*1 978*	*68*
above 1 year	*38*	*1 610*
Trade receivables, total (gross)	**30 804**	**52 501**
trade receivables write-downs	*1 931*	*1 748*
Trade receivables, total (net)	**28 873**	**50 753**

Out of the total amount of gross short-term receivables, i.e. PLN 253,700 thousand, overdue receivables amount to PLN 30,804 thousand. Disputable overdue receivables did not occur. Overdue receivables only apply to trade receivables. Out of the overdue receivables, only the amount of PLN 1,931 thousand 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	
	2019	2018
1. loans granted	**21 500**	**23 500**
a) loans granted in subsidiaries	*3 500*	*3 500*
b) loans granted in other units	*8 000*	*10 000*
c) loans granted to an associate	*10 000*	*10 000*
2. cash and other pecuniary assets	**51 621**	**27 612**
a) cash in hand and at bank	*51 621*	*27 612*
3. own shares		
a) own shares within the first tranche		
Short-term financial assets, total	**73 121**	**51 112**

The loans granted relate to long-term loans with an annual repayment period.

NOTE 8b – Cash and equivalents (currency structure)	thousands of PLN	
	2019	2018
1. in Polish currency	**13 482**	**5 048**
a) cash on the VAT account	*903*	*1 186*
2. in foreign currencies (according to currencies converted into PLN)	**38 139**	**22 564**
a) in Euro	*8 517*	*3 123*
converted into thousand PLN	**36 272**	**13 393**
b) in USD	*492*	*2 433*
converted into thousand PLN	**1 867**	**9 171**
Cash and other pecuniary assets, total	**51 621**	**27 612**

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	
	2019	2018
1. active cost accruals, including:	**304**	**202**
a) costs of insurance and subscription	*84*	*12*
b) costs of fair organized in 2017		
c) staged repairs		
d) other	*220*	*190*
Short-term accruals, including:	**304**	**202**

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 7,865 thousand, including the ones concerning receivables PLN 1,931 thousands and finished products PLN 5,934 thousand.

During the reporting period there was made a write-off in the amount of PLN 3,557 thousand in scope of inventories of finished products. Write-off due to impairment of doubtful receivables was made in the amount of PLN 655 thousand and a part of the previous write-downs in the amount of PLN 472 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	
	2019	**2018**
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)	**68 049**	**68 484**
a) from revaluation of fixed assets	285	285
b) from liquidation and revaluation of fixed assets	180	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
g) change of shares after merger of subsidiaries	-434	
Supplementary capital, total	**103 749**	**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	
	2019	**2018**
1. reserve capital for investments	1 436 917	1 339 770
2. reserve capital for financing of current assets	12 145	12 145
3. other reserve capital	51 000	51 000
Revaluation reserve, total	**1 500 062**	**1 402 915**

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	
	2019	2018
1. due to the revaluation of the provision for deferred income tax	*-10 432*	*-10 432*
2. due to the update of the perpetual usufruct right	*-18 202*	
Profit from previous years, total	**-28 634**	**-10 432**

In connection with the implementation of IFRS 16 Leases and the recognition of perpetual usufruct as leasing, the property value was revaluated by a revaluation recognized in equity as of the date of application of IAS for the first time, i.e. on January 1, 2005.

NOTE 14 a - CHANGE IN THE BALANCE OF RESERVE FOR DEFERRED INCOME TAX	thousands of PLN	
	2019	2018
1. The balance of deferred income tax, at the beginning of the period, including:	**71 458**	**52 435**
a) attributed to financial result (due to)	61 026	52 435
- difference between balance and taxable amortization	61 026	52 435
- investment allowance		
b) attributed to equity	10 432	
- for revaluation of fixed assets		
2. Increases	**3 867**	**19 023**
a) attributed to the financial result due to positive temporary differences (due to)	3 867	19 023
- difference between depreciation and taxable amortization fixed assets	3 812	8 591
- due to exchange differences	55	10 432
3. Decreases		
4. Balance of reserve at the end of the period, total	**75 325**	**71 458**
a) attributed to the financial result	64 893	61 026
- due to differences between depreciation and taxable amortization fixed assets	64 838	61 026
b) attributed to equity	10 432	10 432

NOTE 14 b – Change of the balance of other long-term reserves	thousands of PLN	
	2019	2018
1. balance at the beginning of period	**32 665**	**5 578**
2. increase (due to)	**230**	**34 447**
a) creation of a provision for the retirement severance pays	*175*	*1 032*
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)	**6 947**	**7 360**
a) transfer to current provisions	*692*	*439*
b) decrease in provision for the purchase of GO STEEL	*6 255*	*6 255*
- decrease of a provision due to the HRC contract	*6 255*	

c) decrease of a provision in relation to the payment of the retirement severance pays		*666*
4. balance at the end of period	**25 948**	**32 665**

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 2019, 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	
	2019	2018
1. balance at the beginning of the period	**1 821**	**1 039**
2. increases (due to)	**3 132**	**782**
a) transfer to a short-term reserve	*693*	*439*
b) formation of a provision for the purchase of energy origin certificates	*2 072*	
c) creation of a provision for a bonus	*367*	*343*
3. dissolution (due to)	**1 093**	
a) paid retirement benefits	*749*	
b) purchase of energy origin certificates		
c) reserves for the bonus	*344*	
4. balance at the end of the period	**3 860**	**1 821**

NOTE 15 - NON-CURRENT LIABILITIES (BY TITLE)	thousand x PLN	
	2019	2018
1. long-term credits and loans	50 000	70 000
Total non-current liabilities	**50 000**	**70 000**

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 2019, the outstanding amount is PLN 70 000 thousand (PLN 50 000 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	
	2019	2018
1. to related parties	**23 710**	**19 092**
a) trade liabilities, maturing:	**23 710**	**19 092**
- up to 12 months	*23 710*	*19 092*
2. to other entities	**228 199**	**385 003**
a) credits and loans, including:	**20 000**	**132 674**
- long-term, maturing	*20 000*	*20 000*
b) trade liabilities, maturing:	**179 830**	**223 954**
- up to 12 months	*177 375*	*221 975*
- over 12 months	*2 455*	*1 979*
c) other short-term liabilities	**28 369**	**28 375**
c.1 received advances for deliveries	794	511
c.2 tax, customs, insurance and other liabilities	8 717	8 466
c.3 payroll	8 240	8 744
c.4 other (by title)	10 618	10 654
- social fund	*7 995*	*8 081*
- PKZP	*377*	*389*
- deposit received	*2 000*	*2 000*
- PZU	*216*	*107*
- other	*30*	*77*
Short-term liabilities, total	**251 909**	**404 095**

NOTE 16 b - Short-term liabilities (currency structure)	thousands of PLN	
	2019	2018
1. in Polish currency	**197 648**	**347 485**
2. in foreign currency (by currency and converted into PLN)	**54 261**	**56 610**
a) in EUR (thousands of EUR)	12 629	12 943
converted into thousands of PLN	**53 784**	**55 575**
b) In USD thousands of PLN	125	273
converted into thousands of PLN	**474**	**1 031**
other currency in thousand PLN	3	4
Short-term liabilities, total	**251 909**	**404 095**

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	0	PLN	in thousand	PLN	wibor+margin	Sept.21	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	0	PLN	in thousand	PLN	wibor+margin	July 2020/ Jan. 2021	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 2021, long-term guarantee PLN 15 000 thousand valid up to 07 2020
Bank BGŻ BNP Paribas S.A.	Warsaw	50,000	PLN	in thousand	PLN	0	PLN	in thousand	PLN	wibor+margin	Sept.20	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	0	PLN	in thousand	PLN	wibor+margin	Apr.20	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	0	PLN	in thousand	PLN	wibor+margin	Jan.21	promissory note, pledge on stocks	Overdraft facility limit of PLN 90 000 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 20 000 thousand including STP Elbud PLN 10 000 thousand and GO Steel 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	
	2019	2018
1. deferred income	**5 167**	**5 957**
a) long-term (by titles)	**4 302**	**4 302**
- grant	*4 302*	*4 302*
b) short-term (by titles)	**865**	**1 655**
- received advances	*865*	*1 655*
Other accruals, total	**5 167**	**5 957**

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 final report was also submitted to the NCBiR, which was adopted on February 18, 2020.

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. Due to the turbine failure during its testing, repair work was required to be carried out, which in 2019 included:

- wing repair

- replacement of bolts in central nodes.

The strengthening of pylons that will be completed in the first half 2020 still remains to be implemented. In addition, actions were taken to obtain administrative permits for the use of the facility.

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 1,679,145 thousand : 5,580,267 shares = PLN 300.91).

NOTE 19 a - NET INCOME FROM SALES OF PRODUCTS (MATERIAL STRUCTURE-TYPES OF ACTIVITIES)	thousands of PLN	
	2019	2018
1. transformer sheets	**550 615**	**552 101**
including: from related parties		
2. toroidal cores	**11 178**	**13 797**
including: from related parties		
3. steel sheet for banding steel	**7**	**19**
including: from related parties	*7*	*19*
4. steel sheets, hot-rolled and cold-rolled strips	**35 122**	**48 198**
including: from related parties	*307*	*19 591*
5. cold formed profiles	**505 907**	**545 441**
including: from related parties	*4 982*	*149 879*
6. road barriers	**114 400**	**126 310**
including: from related parties	*72*	*131*
7. services	**6 945**	**8 935**
including: from related parties	*5 657*	*7 165*
Net revenues from sales of products, total	**1 224 174**	**1 294 801**
including: from related parties	*11 025*	*176 785*

NOTE 19 b -NET SALES OF PRODUCTS (TERRITORIAL STRUCTURE)	thousands of PLN	
	2019	2018
1. domestic	**537 213**	**568 094**
a) transformer sheets	*44 576*	*37 658*
b) toroidal cores	*5 021*	*7 082*
c) steel sheet for banding steel	*7*	*19*
d) steel sheets, hot-rolled and cold-rolled strips	*32 581*	*42 887*
e) cold formed profiles	*365 125*	*374 108*
f) road barriers	*83 526*	*98 012*
g) services	*6 377*	*8 328*
2. export	**686 961**	**726 707**
a) transformer sheets	*506 039*	*514 443*
b) toroidal cores	*6 157*	*6 715*
c) steel sheets, hot-rolled and cold-rolled strips	*2 541*	*5 311*
d) cold formed profiles	*140 781*	*171 333*
e) road barriers	*30 874*	*28 298*
f) services	*569*	*607*
Net income from sales of products, total	**1 224 174**	**1 294 801**

NOTE 19c - NET REVENUE FROM SALES ON THE BASIS OF CONTRACTS WITH CUSTOMERS	thousand x PLN	
	2019	2018
Revenues: Transformer Sheet Segment	**561 793**	**565 898**
Balances at the beginning and end of the period		
1. receivables	109 829	83 399
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	**655 435**	**719 968**
Balances at the beginning and end of the period		
1. receivables	103 068	119 586
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.

NOTE 20a – Net sales of goods and materials (material structure – types of activities)	thousands of PLN	
	2019	2018
1. goods	**257 695**	**264 924**
including: from related parties	*251 200*	*239 405*
2. technological waste	**25 303**	**31 179**
including: from related parties	*0*	*807*
3. other materials	**1 409**	**809**
including: from related parties	*0*	*0*
Net revenues from sales of goods and materials, total	**284 407**	**296 912**
including: from related parties	*251 200*	*240 212*

NOTE 21 – Costs by type – cost of manufacture of products sold	thousands of PLN	
	2019	2018
1. amortization	**51 605**	**48 000**
2. consumption of materials and energy	**893 395**	**1 030 755**
3. external services	**111 763**	**115 067**
4. taxes and fees	**12 635**	**18 774**
5. payroll	**105 751**	**106 553**
6. social insurance and other benefits	**24 885**	**25 115**
7. other costs by type (due to)	**7 263**	**5 824**
a) business trips	*615*	*649*
b) property insurance	*425*	*481*
c) representation and advertising	*505*	*684*
d) other	*5 718*	*4 010*
Costs by type, total	**1 207 297**	**1 350 088**
Change in stocks, products and accruals	20 902	-82 735

Cost of manufacture of goods produced for own purposes (negative value)	-763	-2 640
Selling costs (negative value)	**-47 938**	**-41 518**
General and administrative costs	**-42 990**	**-46 363**
Cost of manufacture of products sold	**1 136 508**	**1 176 832**

NOTE 22 – Other operating revenues	**thousands of PLN**	
	2019	**2018**
1) reversed provisions (due to)	**917**	**666**
a) doubtful receivables		
b) retirement benefits	*574*	*666*
c) payroll		
d) energy origin certificates		
e) inventory , for bonuses	*343*	
2. other, including:	**9 960**	**3 676**
a) payment of adjudicated court fees	*15*	
b) received compensation	*105*	*54*
c) revenues from sales of fixed assets	*0*	
d) revenues due to not collected payroll		
e) surplus in working capital	*139*	*198*
f) other	*9 701*	*3 424*
Other operating revenues, total	**10 877**	**4 342**

NOTE 23 – Other operating costs	**thousands of PLN**	
	2019	**2018**
1. reserves (due to)	**6 052**	**3 806**
a) doubtful receivables		
b) retirement benefits		*1 031*
c) landfill (waste) reclamation	*55*	*55*
d) value of finished products	*3 558*	*2 377*
e) payroll		
f) purchase of energy origin certificates	*2 072*	
g) bonus	*367*	*343*
2. other, including:	**8 449**	**5 392**
a) donations	*37*	*129*
b) costs of court proceedings	*2*	*6*
c) penalties, fines, compensations	*20*	*72*
d) shortages in financial resources	*168*	*180*
e) value of written-off receivables covered with insurance	*931*	*128*
f) costs of tests	*1 248*	*1 264*
g) value of liquidated fixed assets	*604*	*2 607*
h) other	*5 439*	*1 006*
Other operating costs, total	**14 501**	**9 198**

In other operating revenues and expenses, the "Other" item presents the values of revenues and expenses in an obtuse array created automatically by the warehouse program.

NOTE 24 – Financial revenues	thousands of PLN	
	2019	2018
1. revenues due to interests, including	**2 050**	**2 573**
a) from related parties	*1 067*	*2 252*
b) from other entities	*983*	*321*
2. exchange rate differences (the excess of negative over positive)	**291**	**1 020**
a) realized		
b) unrealized	291	1 020
3. released provisions, due to	**6 255**	**6 255**
a) implementation of liabilities due to the HRC contract	6 255	6 255
4. other, including:	**102 311**	**98 612**
a) dividend received	*102 311*	*98 612*
b) revenues from the liquidation of a subsidiary		
Financial revenues, total	**110 907**	**108 460**

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	
	2019	2018
1. positive exchange rate differences, including	**10 216**	**13 798**
a) realized	*10 216*	*13 798*
b) unrealized		
2. negative exchange rate differences	**8 520**	**11 815**
a) realized	*8 520*	*11 815*
b) unrealized		
Balance of exchange differences arising on settlements, translated into reduced production costs of the products sold	**1 696**	**1 983**

NOTE 26 Current and deferred income tax	thousands of PLN	
	2019	2018
1. Gross profit (loss)	96 052	133 475
2. Differences between gross profit (loss) prior to income tax (by titles)	-119 568	-143 115
a) depreciation of the fixed assets classified for investment tax breaks		
b) amortization of tangible and intangible deductible expenses	-19 232	-42 930
c) donations and voluntary contributions	119	187
d) provision for the redemption of energy origin certificates	2 072	
e) release of provision for retirement benefits	-574	-666
f) PFRON	1 880	1 803
g) provision for the reclamation of the Borek landfill site	55	55
h) write-off due to revaluation of long-term investments		
i) cost regarding provisions for retirement benefits	0	1 031
j) dividend received	-102 311	-98 612
k) social insurance for November and December '2018' and paid in January and February '2019'	-3 494	-3 295
l) social insurance for November and December '2019' and paid in January and February '2020'	3 169	3 494
m) value reduction in respect of finished products and charge inventory	3 558	2 377
n) costs of representation	40	113
o) the value of disposed fixed assets from valuation	44	37
p) release of the reserve for the purchase of GO STEEL	-6 255	-6 255
r) the difference between the fee for perpetual usufruct and interest on the lease of this right	89	
s) exchange differences arising on the balance sheet valuation	800	
t) other	472	-454
3. Taxable income	-9 640	-28 433
4. Income tax at the rate 19%	0	0
5. Current income tax disclosed in tax declaration for the period, including:	0	0
a) disclosed in profit and loss account	*8 427*	*9 134*
b) the adjustment of the provision for deferred income tax for the years 2005-2009		
c) undistributed profit from previous years		
6. Deferred income tax due to temporary differences	8 427	9 134

The effective tax rate calculated by the method of dividing the tax shown in the income statement by gross profit is 3.38%, after adjusting for permanent differences - balance sheet costs that will never become tax costs, a tax loss is received.

NOTE 27 – PROFIT DISTRIBUTION

Net profit for the financial year 2018 amounting of 125,047,737.82 PLN:
- reserve capital 97,146,402.82
- dividend 27,901,335.00.

Net profit for the financial year 2019 amounting of **92,807,837.99** PLN is proposed to be transferred in full to reserve capital

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. Profit per ordinary share amounted to PLN 16.63.

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 2019	Segments			Total
	Electrical Sheets Segment	Profiles Segment	Other Activities	
Segment revenues	561 793	655 435	291 353	1 508 581
Domestic sales	*49 597*	*481 239*	*68 471*	*599 307*
Export	*512 196*	*174 196*	*222 882*	*909 274*
Segment costs	**511 300**	**668 134**	**286 972**	**1 466 406**
Segment result	**50 493**	**-12 699**	**4 381**	**42 175**
Other operating income and financial income not assigned to the segment				121 784
Other general operational costs and financial costs associated to the				67 906
Gross profit				**96 053**
Income tax				3 245
Net profit				**92 808**
Segment assets	741 594	657 981	220 296	1 619 871
Assets not assigned to the segment				528 610
Total assets				2 148 481

Total liabilities	225 281	178 348	65 707	469 336
Capital expenditures	6 603	2 710	19 771	29 084
Depreciation	29 668	17 691	4 246	51 605

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 segment				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

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:	**65**	**46**	**147 282**	**186 493**	**373 476**	**386 830**
1. Net sales of products	65	46	147 282	186 493	373 476	386 830
2. Net sales of goods and materials						
II. Costs of products, goods and materials sold, including:	**59 262**	**59 879**	**126 643**	**164 969**	**345 021**	**252 201**
1. Production cost of products sold	59 262	59 879	126 643	164 969	345 021	252 201
2. Value of goods and materials sold						
III. Gross profit (loss) on sales	**-59 197**	**-59 834**	**20 639**	**21 524**	**28 455**	**134 629**
IV. Selling costs						
V. General and administrative costs	946	975	4 197	7 418	11 005	11 499
VI. Profit (loss) on sales	**-60 143**	**-60 809**	**16 442**	**14 106**	**17 450**	**123 130**
VII. Other operating incomes						
VIII. Other operating costs						
IX. Operating profit (loss)	**-60 143**	**-60 809**	**16 442**	**14 106**	**17 450**	**123 130**
X. Financial incomes						
XI. Financial costs						
XII. Profit (loss) before taxation	**-60 143**	**-60 809**	**16 442**	**14 106**	**17 450**	**123 130**
XIII. Income tax					3 315	23 395
XIV. Net profit (loss)	**-60 143**	**-60 809**	**16 442**	**14 106**	**14 135**	**99 735**

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					
	31.12.2019 r.	31.12.2018 r.	31.12.2019 r.	31.12.2018 r.	31.12.2019 r.	31.12.2018 r.
Assets	**984 399**	**1 040 407**	**216 454**	**208 309**	**82 785**	**79 300**
I. Fixed assets	**984 399**	**1 040 407**	**165 628**	**189 194**	**0**	**0**
1. Intangible fixed assets, including						
- right of perpetual land use						
2. Tangible fixed assets	984 399	1 040 407	165 628	189 194		
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			**50 826**	**19 115**	**82 785**	**79 300**
1. Inventories						
2. Short-term receivables			50 826	19 115	82 785	79 300
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	**984 399**	**1 040 407**	**216 454**	**208 309**	**82 785**	**79 300**
Liabilities and Shareholder's Equity						
I. Shareholders' Equity	**984 399**	**1 040 407**	**211 326**	**194 884**	**67 585**	**53 450**
1. Share capital						
2. Own shares (stakes) (negative value)						
3. Reserve capital	1 044 542	1 101 215	194 884	180 778	53 450	-46 285
4. Reserve capital from revaluation						
5. Other reserve capital						
6. Retained earnings (losses)						
7. Net profit (loss)	-60 143	-60 809	16 442	14 106	14 135	99 735
II. Liabilities and provisions for liabilities			**5 128**	**13 425**	**15 200**	**25 850**
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			5 128	13 425	15 200	25 850
3.1. Short-term credits and loans						
3.2. Current part of long-term credits and loans						
3.3. Trade liabilities			5 128	13 425	15 200	25 850
3.4. Income tax liabilities						
3.5. Other short-term liabilities						
4. Accruals						
Total liabilities	**984 399**	**1 040 407**	**216 454**	**208 309**	**82 785**	**79 300**

Profit and loss account – the activity in the area of generation, distribution and sales of heat energy	Production of heat energy		Distribution of heat energy		*Sales of* heat energy	
	The figures presented in the Polish zloty					
	31.12.2019r.	31.12.2018r.	31.12.2019 r.	31.12.2018 r.	31.12.2019 r.	31.12.2018 r.
I. Net sales of products, goods and materials, including:	**224 118**	**210 997**	**24 902**	**23 444**	**224 104**	**179 886**
1. Net sales of products	224 118	210 997	24 902	23 444		
2. Net sales of goods and materials						
II. Costs of products, goods and materials sold, including:	**224 118**	**210 997**	**24 902**	**23 444**	**249 020**	**234 441**
1. Production cost of products sold	224 118	210 997	24 902	23 444	249 020	234 441
2. Value of goods and materials sold						
III. Gross profit (loss) on sales	**0**	**0**	**0**	**0**	**-24 916**	**-54 555**
IV. Selling costs						
V. General and administrative costs						
VI. Profit (loss) on sales	**0**	**0**	**0**	**0**	**-24 916**	**-54 555**
VII. Other operating incomes						
VIII. Other operating costs						
IX. Operating profit (loss)	**0**	**0**	**0**	**0**	**-24 916**	**-54 555**
X. Financial incomes						
XI. Financial costs						
XII. Profit (loss) before taxation	**0**	**0**	**0**	**0**	**-24 916**	**-54 555**
XIII. Income tax						
XIV. Net profit (loss)	**0**	**0**	**0**	**0**	**-24 916**	**-54 555**

***Balance sheet - the activity in the area of generation, distribution and sales of* heat energy**	Production of heat energy		Distribution of heat energy		*Sales of* heat energy	
	The figures presented in the Polish zloty					
	31.12.2019 r.	31.12.2018 r.	31.12.2019 r.	31.12.2018 r.	31.12.2019 r.	31.12.2018 r.
Assets						
I. Fixed assets	**148 135**	**149 861**	**63 321**	**29 850**		
1. Intangible fixed assets, including						
- right of perpetual land use						
2. Tangible fixed assets	148 135	149 861	63 321	29 850		
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					**11 961**	**36 877**
1. Inventories						
2. Short-term receivables					11 961	36 877
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	**148 135**	**149 861**	**63 321**	**29 850**	**11 961**	**36 877**
Liabilities and Shareholder's Equity						
I. Shareholders' Equity	**148 135**	**149 861**	**63 321**	**29 849**	**11 961**	**36 877**
1. Share capital						
2. Own shares (stakes) (negative value)						
3. Reserve capital	148 135	149 861	63 321	29 849	36 877	91 432
4. Reserve capital from revaluation						
5. Other reserve capital						
6. Retained earnings (losses)						
7. Net profit (loss)	0	0	0	0	-24 916	-54 555
II. Liabilities and provisions for liabilities						
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						
3.1. Short-term credits and loans						
3.2. Current part of long-term credits and loans						
3.3. Trade liabilities						
3.4. Income tax liabilities						
3.5. Other short-term liabilities						
4. Accruals						
Total liabilities	**148 135**	**149 861**	**63 321**	**29 849**	**11 961**	**36 877**

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.

Item	**Category acc. to IFRS 9**	2019	2018
Shares and stocks	*fair value through financial result*	119	119
Trade receivables (net)	*amortised cost*	224 999	267 349
Other receivables (without public-law)	*amortised cost*	5 870	5 054
loans granted	*amortised cost*	21 500	23 500
Cash and cash equivalents	*fair value through financial result*	51 621	27 612
Total financial assets	*amortised cost*	**304 109**	**323 634**

trade liabilities	*amortised cost*	203 539	243 046
credits and loans	*amortised cost*	70 000	202 674
***Total financial* liabilities**		**273 539**	**445 720**

As at 31/12/2019, fair values do not differ from book values. As at 31.12.2019, the qualification test did not show any significant impact of IFRS 9 on the value of receivables, and the measurement of loans granted at amortized cost showed no significant differences.

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 31.12.2019					
Segment	**Group I**	**Group II**	**Group III**	**Others**	**Total**
Electrical 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**
Electrical sheets	64%	19%	17%	0%	100%
Profiles	35%	42%	18%	5%	100%
Other Activities	100%	0%	0%	0%	100%

THE HEDGINGS ADOPTED	thousand x USD/EUR/PLN	
	2019	2018

No.	Hedging type	Risk type	Amount	Currency	PLN	Amount	Currency	PLN
1	Bank guarantees and letters of credit	credit /contractual	42	PLN	**42**	417	PLN	**417**
2	Bank guarantees and letters of credit	credit /contractual	2 950	EUR	**12 563**	4 140	EUR	**17 802**
3	Bank guarantees and letters of credit	credit/contractual	5 769	USD	**21 909**	7 826	USD	**29 423**
4	Sureties	credit/contractual	0	PLN	**0**	3 499	PLN	**3 499**
5	Sureties	credit/contractual	14 850	EUR	**63 239**	15 130	EUR	**65 059**
6	Sureties	credit/contractual	0	USD	**0**	0	USD	**0**
7	Pledges and mortgages	credit/contractual	19 008	PLN	**19 008**	5 039	PLN	**5 039**
8	Pledges and mortgages	credit/contractual	500	EUR	**2 129**	500	EUR	**2 150**
	Total value of securities in PLN				**118 889**			**123 389**

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 119 177 thousand. It should be noted that the average value of the overdue receivables ratio for the parent company (excluding subsidiaries) for 12 months 2019 (calculated as the ratio of overdue receivables to the total balance of trade receivables) for the Company amounts to 14.0%.

Liquidity risk

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.

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 31.12.2019 the Company had:

loans granted in the amount of – PLN 21,500 thousand,

cash – PLN 51,621thousand,

short-term revolving loans – no use

long-term loans – PLN 70 000 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	
	2019	2018
Exchange rate increase by 50 basis points		
Impact on the gross result	16	-743
Exchange rate decrease by 50 basis points		
Impact on the gross result	16	-743

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 2018, in 2019 its position was mostly characterized as open short position due to the increased USD purchases.

As of 31.12.2019, 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	
	2019	2018
PLN WEAKENING to USD & EUR by 5%		
Impact on gross result	3 586	5 630
PLN STREANGTHENING to USD & EUR by 5%		
Impact on gross result	-3 586	-5 630

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	
	2019	2018
Debt	*70 000*	*202 674*
Cash	*-51 621*	*-27 612*
Net Debt	*18 379*	*175 062*
Equity	*1 679 145*	*1 632 876*
Net Debt Relation to Equity	**1,09%**	**10,72%**

Debt is understood as long- and short-term debt presented in notes 15a and 16a

In 2019, the Company correctly managed its capital, as the ratios related to liquidity were maintained at a good level. The effect of these activities is a reduction in net debt from PLN 175,062 thousand at the end of 2018 to PLN 18,379 thousand PLN at the end of 2019. 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 16.63 in 2019 against PLN 22.41 in 2018.

Changes in equity for the years 2019 and 2018 are presented in the "Statement of changes in equity," which forms an integral part of the annual consolidated financial statements.

In 2019, 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 0.78.

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 2019	in thousand PLN			
	mutual claims and mutual		revenues and costs transaction liabilities	
	receivables	liabilities	revenues	costs
Stalprodukt-MB sp. z o.o.			262	2 361
Stalprodukt-Wamech sp. z o.o.	272	7 891	1 820	13 898
Stalprodukt-Centrostal sp. z o.o.	26	1 256	459	4 437
Stalprodukt-Serwis sp. z o.o.			460	4 295
Stalprodukt-Zamość sp. z o.o.	839	417	5 716	1 650
Stalprodukt-Ochrona sp. z o.o.	25	1 452	213	4 283
STP Elbud sp. z o.o.	243	3 011	2 259	23 665
ZGH Bolesław S.A.		20		121
Anew Institute Sp. z o.o.	20			1 130
Cynk-Mal S.A.	3 992	1 197	29 853	5 484
GO STEEL Frydek Mistek a.s.	27 053	8 450	222 688	50 564

Moreover, in 2019 some transactions were also finalized with the entities in which the Company holds shares: Stalnet Sp. z o.o.- sales PLN 459 thousand, costs PLN 174 thousand; receivables PLN 5 thousand, liabilities PLN 15 thousand; Stalprodukt-Profil S.A. sales PLN 425 thousand. The receivables balance for F&R Finanse Sp. z o.o. PLN 12 808 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.	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.				
ZGH Bolesław S.A.		384		208
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.

Estimated values

In 2019, 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 2019, the provision of PLN 6 255 thousand was released for the performance of the contract (Go Steel) requiring the collection of an additional 50 thousand tonnes of hot-rolled steel in 2019.
- Additionally, a provision was created for PLN 1,039 thousand for redemption of energy certificates of origin and PLN 1,033 thousand for redemption of CO_2 certificates,
- In order to discount long-term perpetual usufruct liabilities in accordance with IFRS 16, a discount rate of 5% per year was adopted.

Changes in the capital structure of the Company

In comparison to 2018, constituting a comparable period to this consolidated financial statement, the following changes occurred in the structure of the Issuer's Capital Group:

1. On 30th May 2019 the boards of the Issuer's three subsidiary companies, i.e. Stalprodukt-Wamech Ltd., Stalprodukt-Serwis Ltd. and Stalprodukt-MB Ltd. accepted their merger plan and subsequently informed about their intention to merge, providing all the legally-required documentation on their websites on 31st May 2019. The merger of the companies will take place according to art. 492 § 1 point 1) of the Commercial Companies Code, i.e. by transferring all the assets of the companies 'Stalprodukt-Serwis' Ltd. and Stalprodukt-MB Ltd. (the acquired companies) to 'Stalprodukt-Wamech' Ltd. (the acquiring company) for the shares that the acquiring company will hand over to the previous (the only) partner of the acquired companies, increasing simultaneously the share capital of the acquiring company.

   Within the framework of the merger the share capital of the acquiring company Stalprodukt-Wamech Ltd. will be raised from the amount of 1,200,000 PLN (read: one million two hundred thousand zlotys) up to the amount of 4,270,000 PLN (read: four million two hundred and seventy thousand zlotys) by issuing 3,070 (read: three thou and seventy) new shares with the face value equal 1,000 PLN (read: one thousand zlotys) each and with the total face value equal 3,070,000 PLN (read: three million seventy thousand zlotys). These new shares shall be covered by the only company's partner, i.e. Stalprodukt Joint-Stock Company in Bochnia, in return for all its shares in the acquired companies.

   The Issuer would also like to inform that the National Court Register recorded the merger of 'Stalprodukt-Serwis' Ltd. (on 18th July, 2019) and 'Stalprodukt-MB' (on 31st July, 2019) in the companies' registers. The merger of the abovementioned companies was registered by the National Court Register in the register of the acquiring company (Stalprodukt-Wamech Sp. z o.o.) on 3 September 2019.

The objectives of the planned merger are as follows: streamlining the management of the Stalprodukt Capital Group through consolidation of the auxiliary companies in relation to the Issuer (mainly provision of the so-called after-sales services), optimising the companies' operations resulting from combining their technical, financial and human resource potential, decreasing their operational costs as well as gaining the effects of synergy.

2. There was an increase in the share in the capital of ZGH "Bolesław" S.A. to 94.93% at the end of 2019 against 94.92% at the end of the comparative period.
3. On 16 December 2019, the District Court for Kraków-Śródmieście in Kraków, XII Commercial Department of the National Court Register issued a decision (reference number KR.XII NS- REJ.KRS / 017644/19/26) to amend the Entrepreneurship Register of the National Court Register of the Company F&R Finanse sp. z o.o. with its registered office in Jawornik, involving the removal from the register of that company the ZGH "Boleslaw" S.A. as its partner. The company was removed from the register in connection with the redemption of all 12,300 shares held by the ZGH "Bolesław" S.A. in F & R Finanse sp. z o.o. with a nominal value of PLN 6,150,000.00, representing a 19.68% share in the company's share capital. The redemption took place at the request of ZGH "Bolesław" S.A. (voluntary redemption) from net profit, without reducing the share capital, for a total remuneration of PLN 9,254,766.00, i.e. for the remuneration of PLN 752.42 per share. The ZGH "Boleslaw" S.A. assumed that the continuation of shareholding in F&R Finanse sp. z o.o. is pointless and, consequently, it recognized the legitimacy of capitalization of the said shares and allocate obtained in this way funds to the company development objectives.
4. On 9th March 2019 the Extraordinary General Meeting of the companies: Przedsiębiorstwo Robót Drogowych (Highways, Street and Bridge Construction Company) in Olkusz Joint-Stock Company (the acquired company) and 'Boltech' Ltd. (the acquiring company), acting according to Art. 506 cl.1 of the Commercial Companies Code, passed the merger act. The merger took place through an acquisition, without creating new shares or increasing the share capital of the acquiring company and without changing the acquiring company's Articles of the Association (merger through acquisition). The merger was recorded in the Business Register of the National Court Register, for the acquiring company in the District Court in Kraków - Śródmieście, Cracow, 12th Commercial Department of the National Court Register on 1st April, 2019 (day of the merger).

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.

Impact of the COVID-19 coronavirus pandemic on the Company's situation

In connection with the announcement of the Office of the Polish Financial Supervision Authority of 12 March 2020 regarding the recommendations of the European Securities and Markets Authority on the impact of the spread of the COVID-19 coronavirus on the situation of stock exchange issuers, information on the impact of this event on operations and financial results of the Company is provided below (this information was also provided in the form of stock exchange report No. 4/2020 on April 24, 2020).

To date, the impact of the COVID-19 Coronavirus pandemic on the Issuer's operations has been limited. The Company did not have any problems with supplying batch products (mainly hot rolled coils, supplied mainly by a local producer) and other raw materials necessary for conducting production activities.

The production in both basic Steel Product Segments (i.e. Electrical Sheets and Profiles) is ongoing and continuous. The problem is, however, the increased absenteeism associated with childcare and employees sick leave. The Management Board monitors the situation in this respect on an ongoing basis and strives to provide the necessary staff on production lines.

The above circumstances did not adversely affect the Company's financial liquidity and its ability to pay its liabilities. They did not significantly affect the Q1 financial results of 2020.

The Management Board of the Company emphasizes, however, that the negative impact of the Coronavirus pandemic will become apparent in April and at least in the next two months of the second quarter of this year. This assessment results from a noticeable decrease or withdrawal of orders by the Company's clients, especially in the Profile Segment; this applies to both domestic and foreign sales. This factor will certainly have a negative impact on the level of sales revenues possible to achieve in the near future, which in turn will contribute to a decrease in the Company's financial results. Based on the available information, the Management Board estimates the anticipated decrease in unit sales revenue at 20%, calculated as the ratio of total turnover over the next two months, i.e. March and April this year. compared to the total analogous turnover of 2 calendar months of the previous year. However, the Board is not able to accurately assess the impact of this situation on the forecast results for the second quarter of 2020.

Due to the desire to limit the negative effects of the pandemic on the future activities of the parent company, and also to ensure the protection of jobs, today, i.e. on 24 April, 2020, the Stalprodukt Board signed an agreement with the trade unions operating in the Company. Pursuant to this agreement, from 1 May 2020, the working time and the remuneration of all employees of the Company will be reduced by 20 %.

This agreement was concluded for a period of 3 months. In connection with the above, and also taking into account the available financial resources resulting from the solutions provided for in the so-called Anti-crisis shield (the Act of 2 March, 2020 on special solutions related to the counteracting, preventing and eradicating of COVID-19, other infectious diseases and crisis situations caused by them and the Act of 31 March, 2020 amending the above Act), the Company will put forward a request to the Provincial Labour Office to support entrepreneurs to protect jobs from the Guaranteed Employee Benefits Fund.

The Management Board of Stalprodukt S.A. also informs that appropriate procedures have already been implemented in the Company in March this year to reduce the risk of Coronavirus infection. They include, among others: compulsory quarantine of employees returning from abroad and those who may have had contact with infected persons, temperature measurement of persons entering the premises of the plant or restrictions on business contacts, personal protective equipment has also been provided. Some employees also took up remote work.

The Company's Management Board, as at the date of publication of this report (i.e. 30 April 2020), is not able to more accurately assess the impact of the spread of the Coronavirus pandemic on the Company's future operations and financial results. In the event of a change in the current situation, the Issuer will update the information contained in this report.

In the opinion of the Issuer's Management Board, the above events did not cause the need to make adjustments to the financial statements for the first quarter of 2019. They also do not pose a threat to the Company's going concern as at the date of this report. Although this situation is still changing, so far the Management Board of the Company has not noted its noticeable impact on the sales or supply chain of the entity. However, this situation will change in the second quarter of 2020, which is why the Issuer's Management Board will continue to monitor the potential impact of the coronavirus pandemic on an ongoing basis and will take all possible steps to mitigate any negative effects on the Company's operations.

Events after the balance sheet date

The Management Board of ZGH "Bolesław" S.A. informed the Issuer on 29/04/2020 of adopting a resolution on the termination of the extraction of zinc - lead ores from the "Olkusz - Pomorzany" Mine on 31/12/2020. The termination of mining means the submission of a statement of surrender owned mining licenses and commencement of the mine liquidation process. The cost of decommissioning the "Olkusz-Pomorzany" mine according to the decommissioning program is estimated at approx. PLN 140 million, which has been included in the balance sheet of ZGH in the form of a created provision (PLN 116.8 million) and funds accumulated on the mine closure fund (PLN 19.8 million). Closing the mine will not adversely affect the continuation of the business of ZGH "Bolesław" S.A.

At the same time, it should be recalled that the deadline specified above for ZGH "Bolesław" S.A. mining activity is in line with earlier plans. In particular, this term was specified in the Zinc Segment development strategy, disclosed to the public in current report No. 33 of 27 October 2016.

The above information about ZGH's decision to terminate mining operations was disclosed to the WSE in current report No. 6/2020 on April 29, 2020.

Other information

1. In 2019, 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 31.12.2019, which distort the picture of the activities of the financial year 2019.
3. During the reporting period the Company incurred capital expenditures of PLN 29,084 thousand. Planned capital expenditures for 2020 amounts to about PLN 18,000 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 15,888 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 2019, total employment equalled 1,573 people, including 1,262 blue-collar and related workers, and 311 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 2019 - PLN 5,014 thousand, including the remuneration of the Management Board as appropriate: PLN 3,473 and PLN 4,643 thousand, and the remuneration of the Supervisory Board amounted to PLN 319 and PLN 371 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 2019 - PLN 336 thousand, including the managers PLN 296 thousand, and supervisors PLN 40 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 31.12.2019, 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 2019, 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. On April 28, 2020, a Member of the Management Board, Marketing Director, Józef Ryszka, resigned from the position of the Board Member effective as of April 29, 2020. The reason for resignation was reaching retirement age and acquiring retirement rights.

14. These financial statements of Stalprodukt S.A. for 2019 was approved by the Management Board of the Company for publication on 30 April 2020.

Bochnia, 30 April 2020.

The person authorised to
keep accounting books

Head of the Accounting
and Tax Department

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Łukasz Mentel Member of the Management Board Chief Financial Officer	Piotr Janeczek President of the Management Board Chief Executive Officer