# ADDITIONAL INFORMATION ANNEXED TO THE ABRIDGED INTERIM CONSOLIDATED FINANCIAL REPORT FOR THE 1ST HALF OF 2012

## I. Introductory Information.

**1.** The Stalprodukt S.A. Capital Group embraces, apart from the parent company, 9 related entities, acting as subsidiary companies, in which Stalprodukt holds 51 % of shares: in the companies: Stalprodukt -Warszawa sp. z o.o. and Cynk-Mal S.A. Legnica and 100 % in the remaining companies.

Stalprodukt S.A., being the parent company in the Group, provides operating and development guidelines for the related entities, formed within the framework of the Company's restructuring and expansion of its production, trade and services and organization of its own sales network.

The basic objects of operation of the capital group companies are:

- Production of electrical and transformer sheets, cold formed profiles, road safety barriers and cold rolled and hot rolled sheets and strips – parent company Stalprodukt S.A.,
- Trade activity - Stalprodukt-Centrostal sp. z o.o., the company which manages the nationwide sales network with the sales departments in Krakow, Bochnia, Tarnów, Gliwice, Włocławek, Wrocław, Poznań, Gdynia, Koszalin, Radom and Szczecin, Stalprodukt-Warszawa sp. z o.o. and Stalprodukt-Zamość sp. z o.o.,
- Other production and services:

- production of lightning protection hoop iron systems, galvanized wire and steel strips (Cynk-Mal S.A.),
- manufacture of builders (Stalprodukt-Zamość),
- production and regeneration of spare parts (Stalprodukt-Wamech),
- installation, repair/renovation and maintenance of machines (Stalprodukt-Serwis),
- production of steel constructions (STP Elbud , Stalprodukt-Wamech),
- galvanizing services (STP Elbud , Cynk-Mal),
- construction and maintenance of roads and freeways (Stalprodukt MB),
- property and personal security (Stalprodukt-Ochrona).

2. All the Capital Group entities are subject to consolidation by complete method in compliance with IAS requirements.

In the reporting period, as of 2nd April 2012, by a ruling of the District Court for Krakow-Śródmieście [cf. Cracow Centre], 11th Economic Division of the National Court Register, registration of changes took place, which consisted in recording the merger of the Issuer's subsidiary companies: STP Elbud Spółka z o.o. – bidding company, Ocynkownia Stalprodukt-Bolesław Spółka z o.o. – target company and Stalprodukt-Konstalbud Spółka z o.o. – target company.

The merger was effected under Art.. 492 § 1 of the Code of Commercial Companies – merger by takeover. It was effected through the transfer of all the assets of the target companies to the bidding company in exchange for the shares that the bidding company shall issue to Stalprodukt S.A. - as the sole shareholder of the companies concerned. As the result of the merger the share capital of the bidding company - STP Elbud Spółka z o.o. – was increased from PLN 7 298 000.00 to PLN 20 613 000.00.

The above actions resulted from the document adopted by the Stalprodukt S.A. Management Board and approved by the Company's Supervisory Board entitled: „Capital Group Development Guidelines for the Years 2011-2015 (Current Report No 4/2011). As it can be seen from the above document, the merger of the above entities is desirable both from the strategic and operating point of view. The goal of the merger is simplifying the Stalprodukt S.A. group's capital structure and improving the effectiveness of its activities. The companies' merger will allow for the reduction of their operating costs, and thereby, for the maximization of the merging companies' profits. Moreover, the merger will contribute to the more effective utilization of potential, better allocation of cash resources, more effective use of human resources and assets of the merged companies.

3. The presented abridged consolidated financial report has been prepared for the period from 1 January 2012 to 30 June 2012. The comparable data embrace the period from 1 January to 30 June 2011 in reference to the profit and loss account and financial flow statement, and the balance sheet values have been quoted as of 31 December 2011. The Group's fiscal year is the calendar year.
This interim abridged consolidated financial report has been prepared in accordance with the International Financial Reporting Standards approved of by the European Union, in particular, in accordance with the International Accounting Standard No 34 "Interim Financial Reporting" and on the assumption that the Group's companies will continue their activities in predictable future. As of the day this financial report has been approved, the Management Board of the Issuing Entity does not find any circumstances which would indicate that the continuation of the Capital Group companies' activities is threatened.
The interim abridged consolidated financial report does not embrace all the information and disclosures required in the annual consolidated financial report, and the additional information mainly contains the explanations of events and changes significant for the proper understanding of the changes in the financial situation and results achieved by the Group, which have occurred since the end of the last fiscal year.

The additional information embraces selected explanatory data, required by IAS 34 „interim financial reporting" and Regulation of the Minister of Finance on current and periodic information published by issuers of securities and on conditions under which such information may be recognized as being equivalent to information required by the regulations of law of a state which is not a member state dated 19 February 2009 (Journal of Laws No 33, item 259).
If the Information does not address certain events required by the above-mentioned regulations, this means that such events have not taken place in the reporting period.

## II. Accounting Principles (Policy)

1. In the semi-annual abridged consolidated financial report the same accounting principles (policy), including assets and liabilities and revenues and costs valuation and also calculation methods, were observed as the ones presented in detail in the published 2011 consolidated report.

   In the reporting period no essential changes or adjustments, due to fundamental errors or assumed estimated values, were introduced into the accounting principles (policy), that could have a significant impact on the Group's property status, financial standing, liquidity and financial result.

   The changes in standards and interpretations issued by the International Accounting Standards Board or IFRS Interpretations Committee applicable since 1 January 2012, described in detail in the Additional and Explanatory Information annexed to the annual consolidated financial report, either do not apply to the Stalprodukt Group, or do not have a significant impact, not only on the property and financial standing, but also on the way in which the financial report elements are presented.
   Many of the changes introduced into the accounting standards and changed interpretations of the existing standards have already been published and approved, but they shall take effect after 30 June 2012. However, some of the changes are still awaiting approval by the European Commission. The Management Board does not expect the introduction of the above mentioned standards and interpretations to have a significant impact on the accounting principles (policy) applied by the Group, its financial standing or financial result, but they may have to be included in the additional or amended disclosures report.

2. The information contained in the consolidated financial report has been compiled in compliance with the principles of the assets and liabilities valuation method and net financial result calculation, defined as of the balance sheet day, in accordance with the IFRS, adopted by the European Union and interpretations related thereto, announced as European Commissions Regulations, with the preserved materiality principle.

   The Issuer's individual financial report, incorporated herein, has also been prepared in accordance with the above mentioned principles.

## III. Estimated Values

1. In the 1st half of 2012 the Group made the following adjustments in respect of reserves, revaluations and revaluation write-offs on specific asset items:

   - assets were reduced because of the deferred income tax by the amount of PLN 22 thousand in connection with the reconciliation of negative transitory differences,
   - the deferred income tax reserve was increased by the amount of PLN 2,568 thousand in connection with the formation of positive transitory differences,
   - an allowance for doubtful receivables was made in the amount of PLN 23 thousand,
   - allowances for uncollectible receivables in the amount of PLN 772 thousand were cancelled due to being paid,
   - revaluation write-off on ready-made products, down to the net sales value in the amount PLN 168 thousand, was cancelled in connection with the sale of the write-off-related

products, classified as such on 31 December 2011 and a write-off in the amount of PLN 132 thousand was made as of 30 June 2012.

2. No other changes in the estimated values were made in the reporting period.

3. As of the balance sheet day, no write-offs were made to recognize the tangible assets impairment as no conditions suggested that the goodwill impairment test should be administered. In the reporting period full fixed assets usage and unchanged level of product sales volumes were recorded.
   There was no need, either, to write off the intangible assets impairment.
   No changes were recorded, in the operating and economic conditions, likely to affect the financial assets and financial liabilities fair value.

## IV. Operating Segments

The Segment Reporting was based on the IFRS 8 „Operating Segments". The principles underlying the division of Stalprodukt Group's activities into operating segments and accounting principles applied in the reporting procedure were presented in detail in the recently published annual consolidated report for 2011. The principles at issue did not undergo any changes in the reporting period.

The required information on the operating segments in respect of the 1st half of 2012 and the comparable period (1st half of 2011) were estimated and presented in the tables below (in PLN thousand):

**Information on Operating Segments for 1st half of 2011 (in PLN thousand)**

| Itemization | Segment of Electrical Sheets | Segment of Profiles | Segment of Goods | Other Activities | Total Consolidated Value |
|---|---|---|---|---|---|
| Segment Revenues | 298,844 | 537,609 | 58,589 | 69,301 | 964,343 |
| Segment Costs | 251,871 | 492,159 | 54,946 | 61,429 | 860,405 |
| **Segment Result** | **46,973** | **45,450** | **3,643** | **7,872** | **103,938** |
| Other Operating and Financial Revenues not Attributed to the the Segment | | | | | 4,286 |
| Other General, Operating and Financial Costs not Attributed to the Segment | | | | | 39,819 |
| **Gross Profit** | | | | | **68,405** |
| Income Tax | | | | | 14,347 |
| **Net Profit** | | | | | **54,058** |
| Segment Assets | 679,612 | 895,463 | 29,708 | 183,273 | 1,788,056 |
| Assets not Attributed to the Segment | | | | | 18,490 |
| Total Consolidated Assets | | | | | 1,806,546 |
| Total liabilities | 81,531 | 198,918 | 11,376 | 58,321 | 350,146 |
| Capital expenditures | 5,134 | 8,146 | | 2,415 | 15,695 |
| Depreciation | 10,759 | 9,991 | 460 | 3,421 | 24,631 |

**Information on Operating Segments for
1st half of 2012 (in PLN thousand)**

| Itemization | Segment of Electrical Sheets | Segment of Profiles | Segment of Goods | Other Activites | Total Consolidated Value |
|---|---|---|---|---|---|
| Segment Revenues | 306,443 | 531,142 | 56,072 | 53,218 | 946,875 |
| Segment Costs | 243,447 | 489,861 | 53,329 | 47,476 | 834,113 |
| **Segment Result** | **62,996** | **41,281** | **2,743** | **5,742** | **112,762** |
| Other Operating and Financial Revenues not Attributed to the the Segment | | | | | 5,912 |
| Other General, Operating and Financial Costs not Attributed to the Segment | | | | | 40,288 |
| **Gross Profit** | | | | | **78,386** |
| Income Tax | | | | | 16,349 |
| **Net Profit** | | | | | **62,037** |
| Segment Assets | 771,965 | 903,084 | 34,639 | 201,699 | 1,911,387 |
| Assets not Attributed to the Segment | | | | | 16,726 |
| Total Consolidated Assets | | | | | 1,928,113 |
| Total liabilities | 93,695 | 199,549 | 7,520 | 48,068 | 348,832 |
| Capital expenditures | 18,830 | 2,960 | - | 17,785 | 39,575 |
| Depreciation | 11,402 | 10,375 | 394 | 4,461 | 26,632 |

## V. Other Information

1. In the 1st half of 2012 the seasonality effects in the Capital Group had an insignificant impact on the achieved results.
   In the reporting period no other items, of untypical type, size or frequency, were recorded that would significantly affect the assets, liabilities, equity, net profit and cash flow.

2. As of 21 June .2012 the General Meeting of Shareholders was held, which approved of the Reports of Management Board Activities and Supervisory Board's Activities, the separate and consolidated Financial Reports, granted the Member of the Management Board and Supervisory Board the vote of absolute approval and distributed the profits for the reporting year 2011. The General Meeting of Shareholders decided on the non-disbursement of dividends in respect of 2011 due to the planned investment-related expenses.

3. As of the balance day, the Stalprodukt S.A. Group does not have any conditional liabilities other than performance bonds related to the production and mounting of road barriers. As of 30 June 2012 the total binding guarantees amount to PLN 29,801 thousand.

4. In the reporting period no proceedings were instituted or pending before the court or public administration agency, concerning any debts or liabilities that could significantly affect the Group's future results and financial standing.

5. Apart from typical and routine transactions concluded on market terms with related entities within the Capital Group, the character and terms of the same resulting from ongoing operating activities, in the reporting period neither the Stalprodukt Company nor its subsidiary companies concluded transactions with associated entities. The Table below presents the total value of transactions concluded by the Issuing Entity with associated entities.

**in PLN thousand**

| Related Entity | Sales | | Purchases | |
|---|---|---|---|---|
| | 1.01-30.06.2011 | 1.01-30.06.2012 | 1.01.-30.06.2011 | 1.01-30.06.2012 |
| Stalprodukt-Centrostal | 283,976 | 241,602 | 671 | 126 |
| Stalprodukt-Zamość | 11,930 | 367 | 1,271 | 1,829 |
| Stalprodukt-Warszawa | 11,061 | 7,709 | - | - |
| Stalprodukt-Ocynkownia | 2 | - | 8,857 | 6,130 |
| Cynk-Mal Legnica | 6,888 | 10,803 | 1,057 | 104 |
| STP Elbud | 830 | 591 | 7,288 | 17,647 |
| Stalprodukt-Wamech | 557 | 654 | 4,556 | 4,987 |
| Stalprodukt-Serwis | 216 | 275 | 5,128 | 4,974 |
| Stalprodukt-MB | 337 | 113 | 1,164 | 2,505 |
| Stalprodukt-Ochrona | 102 | 110 | 1,241 | 1,347 |

6. The Issuer does not publish result forecasts.

7. As of 31 July 2012, the Parent Company extended, within 31 January 2013, the previously granted surety in respect of the liabilities of the Cynk-Mal S.A. company based in Legnica in favour of the Bank PeKaO S.A. in respect of the credit granted by the bank in the amount of PLN 19 400 thousand. Apart from the above mentioned surety, neither the Stalprodukt Company nor its subsidiaries granted any other sureties, loans, credits or guarantees.

8. In the reporting period the Group made capital expenditures for the purchase and generation of tangible fixed assets in the amount of PLN 39,575 thousand.
   In the reporting period no significant fixed assets item was transferred.

9. The Issuing Entity and its Capital Group entities did not issue, redeem or repay any debt or capital securities.

10. In the reporting period and after 30 June 2012, by the time the abridged consolidated report for the 1st half of the year was prepared, no significant events, except for the ones described herein and in the Report on Group's Activities, had taken place, which could significantly affect the Group's standing and its financial results.
    The Issuer does not possess either any other information, recognized as essential for the Group's staffing status, assets structure, financial standing or financial result or information essential for the assessment of the Group's ability to settle its liabilities.

11. Pursuant to par. 83 subpar.3 of the Regulation of the Minister of Finance dated 19 Feb 2009, on current and periodic information submitted by issuers of securities and terms governing the recognition of equivalent information required by non-member state regulations (Journal of Laws No 33, item 259), the Issuing Entity does not submit a separate parent company semiannual report. The separate report supplements the consolidated report.

12. No „Additional Information" was annexed to the abridged separate parent company report for the 1st half of 2012, as, during the reporting period, no events took place in connection with the separate parent company report, other than the ones described in this "Additional Information".

13. This abridged consolidated financial report for the 1st half of 2012 was approved of by the Parent Company Management Board to be published as of 29 August 2012.

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| Antoni Noszkowski | Józef Ryszka |
| Member of the Board – Financial Director | Member of the Board – Marketing Director |

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Piotr Janeczek
President of the Board – Chief Executive Officer