



STALPRODUKT S.A.

## Abridged Consolidated Financial Report for the 1st Quarter of 2020

Bochnia, May 2020

## I. Consolidated Financial Report for the 1st quarter of 2020

SELECTED FINANCIAL DATA	thousand x PLN		thousand x EUR	
	1 quarter(s) increasingly for the period from 01-01-2020 to 31-03-2020	1 quarter(s) increasingly for the period from 01-01- 2019 to 31-03- 2019	1 quarter(s) increasingly for the period from 01-01-2020 to 31-03-2020	1 quarter(s) increasingly for the period from 01-01-2019 to 31-03-2019
I. Net sales of products, goods and materials	889 859	956 522	202 411	222 561
II. Operating profit (loss)	41 371	68 855	9 410	16 021
III. Profit (loss) before taxation	41 555	59 524	9 452	13 850
IV. Net profit (loss)	31 252	44 286	7 109	10 304
- attributable to shareholders of the parent company	29 055	40 989	6 609	9 537
- net profit attributed to non-controlling interests	2 197	3 297	500	767
V. Net cash flow from operating activities	62 344	-38 701	14 181	-9 005
VI. Net cash flow from investment activities	-69 691	-52 980	-15 852	-12 327
VII. Net cash flow from financial activities	-18 733	70 250	-4 261	16 346
VIII. Total net cash flow	-26 080	-21 431	-5 932	-4 987
IX. Total assets	4 339 971	4 345 081	953 358	1 020 331
X. Liabilities and provisions for liabilities	1 552 990	1 587 056	341 144	372 680
XI. Long-term liabilities	522 956	530 197	114 877	124 503
XII. Short-term liabilities	555 858	620 318	122 105	145 666
XIII. Shareholders' equity	2 786 981	2 758 025	612 214	647 652
- equity attributable to shareholders of the parent	2 677 296	2 650 456	588 119	622 392
- equity attributed to non-controlling interests	109 685	107 569	24 094	25 260
XIV. Share capital	11 161	11 161	2 452	2 621
XV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XVI. Profit (loss) for one ordinary share (in PLN)	5,60	7,94	1,27	1,80
Diluted profit (loss) per ordinary share (PLN)				
XVII. Book value per share (PLN)	499,44	494,25	109,71	116,06
Diluted book value per share (PLN)				
XVIII. Declared or paid-out dividend for one share in (PLN/EUR)	0,00	5,00	0,00	1,16

1. Comparable financial data (item IX-XIV and XVII) was presented pursuant to the requirements of the International Financial Reporting Standards according to the balance for this 31<sup>st</sup> December 2019. Other comparable data is presented for the period from 1st January 2019 to 31st March 2019.
2. EUR exchange rates according to the following principles were used for the conversion of the currency into PLN:
  - the assets and liabilities items of the balance sheet were converted into EUR according to the average rate announced by the National Bank of Poland for this 31<sup>st</sup> March 2020 and amounting to 4.5523 and 4.2585 for this 31<sup>st</sup> December 2019.
  - the profit and loss account items and the cash flow items were converted into EUR according to the rate being the simple average of the average EUR rates announced by the National Bank of Poland on the last day of each month included in the report and amounting to PLN 4.3963 for 1 quarter of 2020 and PLN 4.2978 for 1 quarter of 2019.
3. For profit-per-share calculation the number of 5 580 267 shares was adopted.
4. In the eighteenth position presents the amount of dividends paid per 1 share in 2019 (5.00 zł). The Management Board proposed to transfer the entire profit for 2019 to reserve capital.

## Abridged Consolidated Financial Report for the 1st Quarter of 2020.

CONSOLIDATED BALANCE SHEET	(thousand x PLN)			
	31.03.2020	31.12.2019	31.03.2019	31.12.2018
<b>Assets</b>				
<b>I. Fixed assets</b>	<b>2 444 681</b>	<b>2 406 886</b>	<b>2 370 384</b>	<b>2 313 530</b>
1. Intangible fixed assets, including	240 920	207 326	262 778	171 373
- right of perpetual land use	129 094	129 769	138 138	80 344
2. Tangible fixed assets	2 057 301	2 052 279	1 970 824	1 968 406
3. Long-term receivables	719	703	582	630
4. Long-term investments	34 617	36 748	57 658	98 867
4.1. Real estate investments	10 467	10 678	7 513	7 675
4.2. Intangible assets				
4.3. Long-term financial assets	8 084	10 024	34 112	75 141
4.4. Investments in associated entities	16 066	16 046	16 033	16 051
4.5. Other long-term investments				
5. Long-term prepayments	111 125	109 830	78 542	74 254
5.1. Deferred income tax assets	38 521	38 521	31 687	31 697
5.2. Other prepayments	72 604	71 309	46 855	42 557
<b>II. Current assets</b>	<b>1 895 290</b>	<b>1 938 195</b>	<b>2 067 046</b>	<b>2 043 841</b>
1. Inventories	692 846	750 740	876 691	799 798
2. Short-term receivables	611 439	590 531	635 760	629 786
3. Short-term investments	550 413	564 338	529 231	596 005
3.1. Short-term financial assets	443 122	477 669	512 369	532 511
a) loans	18 164	18 153	20 155	20 000
b) short-term securities	46 537	55 015	41 059	39 925
c) cash and cash equivalents	378 421	404 501	451 155	472 586
3.2. Other short-term investments	107 291	86 669	16 862	63 494
4. Fixed assets intended for sale	48	48		
5. Short-term prepayments	40 544	32 538	25 364	18 252
<b>Total assets</b>	<b>4 339 971</b>	<b>4 345 081</b>	<b>4 437 430</b>	<b>4 357 371</b>
<b>Liabilities</b>				
<b>I. Shareholders' equity</b>	<b>2 786 981</b>	<b>2 758 025</b>	<b>2 568 927</b>	<b>2 699 840</b>
1. Equity attributable to shareholders of the parent company	2 677 296	2 650 456	2 469 291	2 593 547
1.1. Share capital	11 161	11 161	11 161	11 161
1.2. Exchange differences	4 226	4 092	-922	2 493
1.3. Reserve capital	667 745	667 745	563 890	561 927
1.4. Reserve capital from revaluation	43 053	46 280	-71 661	65 288
1.5. Other reserve capital	1 634 274	1 634 274	1 574 552	1 574 552
1.6. Retained earnings (losses)	287 782	144 410	351 282	107 838
1.7. Net profit (loss)	29 055	142 494	40 989	270 288
2. Capital non-controlling interests	109 685	107 569	99 636	106 293
<b>II. Liabilities and provisions for liabilities</b>	<b>1 552 990</b>	<b>1 587 056</b>	<b>1 868 503</b>	<b>1 657 531</b>
1. Provisions for liabilities	418 039	414 170	393 215	381 328
1.1. Provision for deferred income tax	145 986	144 842	126 424	114 099
1.2. Other provisions	272 053	269 328	266 791	267 229
a) long-term	185 262	185 380	191 636	191 867
b) short-term	86 791	83 948	75 155	75 362
2. Long-term liabilities	<b>522 956</b>	<b>530 197</b>	<b>587 235</b>	<b>497 848</b>
2.1. Long-term credits and loans	104 268	110 893	147 382	150 839
2.2. Other long-term liabilities	27 456	28 030	64 308	50 894

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2.3. Contingent liabilities due to the purchase of ZGH	296 115	296 115	296 115	296 115
2.4. Liabilities arising from the application of IFRS 16	95 117	95 159	79 430	
<b>3. Short-term liabilities</b>	<b>555 858</b>	<b>620 318</b>	<b>815 516</b>	<b>745 289</b>
3.1. Short-term credits and loans	38 096	44 010	234 791	160 869
3.2. Current part of long-term credits and loans	20 000	20 897	20 000	20 000
3.3. Trade liabilities	292 529	337 355	331 589	385 637
3.4. Income tax liabilities	37 606	38 877	6 015	24 036
3.5. Other short-term liabilities	167 627	179 179	223 121	154 747
4. Accruals	56 137	22 371	72 537	33 066
<b>Total liabilities</b>	<b>4 339 971</b>	<b>4 345 081</b>	<b>4 437 430</b>	<b>4 357 371</b>
Book value	2 786 981	2 758 025	2 568 927	2 699 840
Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
Book value per share (PLN)	499,44	494,25	460,36	483,82

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the period	thousand x PLN		
	I quarter of 2020 period from 01-01- 2020 to 31-03-2020	I quarter of 2019 period from 01-01- 2019 to 31-03-2019	IV quarter of 2019 - period from 01-10- 2019 to 31-12-2019
<b>I. Net sales of products, goods and materials, including:</b>	<b>889 859</b>	<b>956 522</b>	<b>905 805</b>
1. Net sales of products	869 966	935 472	904 476
2. Net sales of goods and materials	19 893	21 050	1 329
<b>II. Costs of products, merchandise and materials sold, including:</b>	<b>780 508</b>	<b>828 833</b>	<b>784 721</b>
1. Production cost of products sold	765 044	811 700	784 215
2. Value of goods and materials sold	15 464	17 133	506
<b>III. Gross profit (loss) on sales</b>	<b>109 351</b>	<b>127 689</b>	<b>121 084</b>
IV. Selling costs	20 172	19 704	24 724
V. General and administrative costs	36 428	38 440	41 680
<b>VI. Profit (loss) on sales</b>	<b>52 751</b>	<b>69 545</b>	<b>54 680</b>
VII. Other operating incomes	15 791	7 747	39 635
VIII. Other operating costs	27 171	8 437	72 630
<b>IX. Operating profit (loss)</b>	<b>41 371</b>	<b>68 855</b>	<b>21 685</b>
X. Financial incomes	14 113	2 765	6 621
XI. Financial costs	13 949	12 117	-1 879
XII. Profit from shares in associated entities	20	21	-134
<b>XIII. Profit (loss) before taxation</b>	<b>41 555</b>	<b>59 524</b>	<b>30 051</b>
XIV. Income tax	10 303	15 238	7 296
<b>XV. Net profit (loss)</b>	<b>31 252</b>	<b>44 286</b>	<b>22 755</b>
1. Attributable to shareholders of the parent company	29 055	40 989	20 314
2. Attributed to non-controlling interests	2 197	3 297	2 441

Profit (loss) net	31 252	44 286	22 755
Weighted average number of ordinary shares	5 580 267	5 580 267	5 580 267
Profit (loss) for one ordinary share (in PLN)	5,60	7,94	4,08

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<b>TOTAL COMPREHENSIVE CONSOLIDATED INCOME for the period</b>	<b>thousand x PLN</b>		
	<b>I quarter of 2020 period from 01-01- 2020 to 31-03-2020</b>	<b>1 quarter of 2019 period from 01-01- 2019 to 31-03-2019</b>	<b>IV quarter of 2019 - period from 01-10- 2019 to 31-12-2019</b>
Net result	31 252	44 286	22 755
Gain from a bargain purchase			
The effective part of the cash flow hedging in accordance with IFRS 9	-3 400	-136 949	34 194
<b>Total Comprehensive Income</b>	<b>27 852</b>	<b>-92 663</b>	<b>56 949</b>
Total comprehensive income attributable to the parent company shareholders	26 441	-87 956	54 062
Total comprehensive income attributed to non-controlling interests	1 411	-4 707	1 325

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<b>Statement of changes in equity for the period from 1st January to 31st March 2020 and 2019</b>	<b>thousand x PLN</b>								
	<b>Share capital</b>	<b>Exchange differences</b>	<b>Supplementary capital</b>	<b>Revaluation reserve</b>	<b>Other reserve capital</b>	<b>Retained profits</b>	<b>Current year net profit</b>	<b>Capital non-controlling interests</b>	<b>Equity TOTAL</b>
<b>Balance on this 1.01.2020 (opening balance)</b>	<b>11 161</b>	<b>4 092</b>	<b>667 745</b>	<b>46 280</b>	<b>1 634 274</b>	<b>286 904</b>		<b>107 569</b>	<b>2 758 025</b>
<b>Profit distribution</b>									<b>0</b>
Intercapital and consolidation transfer		134		173		44 750		-81	<b>44 976</b>
Retained earnings from previous years after the application of IFRS 16						-43 872			<b>-43 872</b>
Dividend									<b>0</b>
Total comprehensive income for period 1.01 - 31.03.2020				-3 400			29 055	2 197	<b>27 852</b>
<i>Valuation of hedging transactions</i>				-3 400					<b>-3 400</b>
<b>Balance on this 31.03.2020 (closing balance)</b>	<b>11 161</b>	<b>4 226</b>	<b>667 745</b>	<b>43 053</b>	<b>1 634 274</b>	<b>287 782</b>	<b>29 055</b>	<b>109 685</b>	<b>2 786 981</b>
<b>Balance on this 1.01.2019 (opening balance)</b>	<b>11 161</b>	<b>2 493</b>	<b>561 927</b>	<b>65 288</b>	<b>1 574 552</b>	<b>378 126</b>		<b>106 293</b>	<b>2 699 840</b>
Intercapital and consolidation transfer		-3 415	1 963			-4 483		-9 954	<b>-15 889</b>
Retained earnings from previous years after the application of IFRS 16						-22 361			<b>-22 361</b>
Dividend									<b>0</b>
Total comprehensive income for period 1.01 - 31.03.2019				-136 949			40 989	3 297	<b>-92 663</b>
<i>Valuation of hedging transactions</i>				-136 949					<b>-136 949</b>
<b>Balance on this 31.03.2019 (closing balance)</b>	<b>11 161</b>	<b>-922</b>	<b>563 890</b>	<b>-71 661</b>	<b>1 574 552</b>	<b>351 282</b>	<b>40 989</b>	<b>99 636</b>	<b>2 568 927</b>

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CONSOLIDATED CASH FLOW ACCOUNT for the period	thousand x PLN	
	I quarter 2020 increasingly for the period from 01-01-2020 to 31-03-2020	I quarter 2019 increasingly for the period from 01-01-2019 to 31-03-2019
<b>Profit before taxation</b>	41 535	59 524
<b>Tax paid</b>	-9 588	-9 067
<b>A. Cash flow from operational activity - indirect method</b>	<b>62 344</b>	<b>-38 701</b>
<b>I. Net Profit (loss)</b>		
<b>III. Total adjustments</b>	30 397	-89 158
1. Share in net (profits) losses of subsidiary entities evaluated by equity method	20	
2. Depreciation	41 418	40 330
3. (Profit) loss from exchange rate fluctuations	-230	26
4. Interest and profit share (dividends)	3 138	2 794
5. (Profit) loss on investment activities	-1 633	1 869
6. Change in reserves	2 336	-438
7. Change in inventories	58 364	-76 893
8. Change in receivables	-18 632	-5 974
9. Change in short-term liabilities, except for loans and credits	-16 115	-72 772
10. Change in accruals	-6 223	28 071
11. Other adjustments	-32 046	-6 171
<b>IV. Net cash flow from operating activities</b>	62 342	-38 701
<b>B. Cash flow from investment activity</b>	<b>-69 691</b>	<b>-52 980</b>
<b>I. Inflows</b>	21 830	1 458
1. Sales of intangible and tangible fixed assets	87	115
2. Sales of real estate properties and intangible assets		
3. From financial assets, including:	21 743	1 343
- financial assets sold	21 688	1 279
- dividends and profit share received		
- repayment of long-term loans granted		
- interest received		64
- other inflows from financial assets	55	
4. Other investment inflows		
<b>II. Outflows</b>	-91 521	-54 438
1. Purchase of intangible and tangible fixed assets	-79 114	-49 910
2. Real estate property and intangible assets		
3. To financial assets, including:	-12 407	-4 528
- financial assets purchased	-12 407	-3 753
- long-term loans granted		-775
4. Other investment outflows		
<b>III. Net cash flow from investment activities</b>		
<b>C. Cash flow from financial activity</b>	-69 691	-52 980
<b>I. Inflows</b>	<b>-18 733</b>	<b>70 250</b>
1. Net inflows from issue of shares, other capital instruments and capital receipts	10	76 260
2. Credits and loans		
3. Issue of debentures		76 260
4. Other financial inflows		
<b>II. Outflows</b>	10	
1. Purchase of own shares	-18 743	-6 010

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2. Dividends and other dues paid to shareholders		
3. Outflows from profit distribution, other than dues paid to shareholders	-11	-8
4. Credits and loans repaid		
5. Redemption of debentures	-13 457	-2 253
6. From other financial liabilities		
7. Contractual payments of financial leasing dues		
8. Interest paid	-2 214	-814
9. Other financial outflows	-2 850	-2 858
<b>III. Net cash flow from financial activities</b>	<b>-211</b>	<b>-77</b>
<b>D. Total net cash flow</b>	<b>-18 733</b>	<b>70 250</b>
<b>E. Balance sheet change in cash, including:</b>	<b>-26 080</b>	<b>-21 431</b>
- change in cash due to exchange rates fluctuations	<b>-26 080</b>	<b>-21 431</b>
<b>F. Cash (beginning of period)</b>		
<b>G. Cash (end of period), including:</b>	<b>404 501</b>	<b>472 586</b>
- of limited access and disposal	<b>378 421</b>	<b>451 155</b>



## II. Abridged Financial Report for the 1st quarter of 2020

Selected Financial Data	thousand x PLN		thousand x EUR	
	1 quarter increasingly for the period from 01-01-2020 to 31-03-2020	1 quarter increasingly for the period from 01-01-2019 to 31-03-2019	1 quarter increasingly for the period from 01-01-2020 to 31-03-2020	1 quarter increasingly for the period from 01-01-2019 to 31-03-2019
I. Net sales of products, goods and materials	347 358	416 667	79 011	96 949
II. Operating profit (loss)	5 769	4 051	1 312	943
III. Profit (loss) before taxation	4 335	2 356	986	548
IV. Net profit (loss)	3 882	386	883	90
V. Net cash flow from operating activities	11 880	-73 685	2 702	-17 145
VI. Net cash flow from investment activities	-3 459	-4 859	-787	-1 131
VII. Net cash flow from financial activities	-6 585	75 250	-1 498	17 509
VIII. Total net cash flow	1 836	-3 294	418	-767
IX. Total assets	2 109 696	2 148 481	463 435	504 516
X. Liabilities and provisions for liabilities	426 668	469 335	93 726	110 211
XI. Long-term liabilities	102 069	107 126	22 421	25 156
XII. Short-term liabilities	212 046	251 909	46 580	59 154
XIII. Shareholders' equity	1 683 028	1 679 146	369 709	394 305
XIV. Share capital	11 161	11 161	2 452	2 621
XV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XVI. Profit (loss) per ordinary share (PLN)	0,70	0,07	0,16	0,02
Diluted profit (loss) per ordinary share (PLN)				
XVII. Book value per share (PLN)	301,60	300,91	66,25	70,66
Diluted book value per share (PLN)				
XVIII. Declared or paid-out dividend for one share in (PLN/EUR)	0,00	5,00	0,00	1,16

5. Comparable financial data (item IX-XIV and XVII) was presented pursuant to the requirements of the International Financial Reporting Standards according to the balance for this 31<sup>st</sup> December 2019. Other comparable data is presented for the period from 1st January 2019 to 31st March 2019.
6. EUR exchange rates according to the following principles were used for the conversion of the currency into PLN:
  - the assets and liabilities items of the balance sheet were converted into EUR according to the average rate announced by the National Bank of Poland for this 31<sup>st</sup> March 2020 and amounting to 4.5523 and 4.2585 for this 31<sup>st</sup> December 2019.
  - the profit and loss account items and the cash flow items were converted into EUR according to the rate being the simple average of the average EUR rates announced by the National Bank of Poland on the last day of each month included in the report and amounting to PLN 4.3963 for 1 quarter of 2020 and PLN 4.2978 for 1 quarter of 2019.
7. For profit-per-share calculation the number of 5 580 267 shares was adopted.
8. In the eighteenth position presents the amount of dividends paid per 1 share in 2019 (5.00 zł). The Management Board proposed to transfer the entire profit for 2019 to reserve capital.

## Abridged Consolidated Financial Report for the 1st Quarter of 2020.

BALANCE SHEET	(thousand x PLN)			
	31.03.2020	31.12.2019	31.03.2019	31.12.2018
<b>Assets</b>				
<b>I. Fixed assets</b>	<b>1 512 793</b>	<b>1 521 494</b>	<b>1 546 285</b>	<b>1 507 844</b>
1. Intangible fixed assets, including	117 830	118 340	128 303	71 825
- right of perpetual land use	86 662	86 920	97 874	41 033
2. Tangible fixed assets	814 487	822 231	835 731	841 862
3. Long-term receivables				
4. Long-term investments	577 963	578 411	580 570	592 476
4.1. Real estate investments	51 844	52 317	51 818	62 974
4.2. Intangible assets				
4.3. Long-term financial assets	526 119	526 094	528 752	529 502
4.4. Other long-term investments				
5. Long-term prepayments	2 512	2 512	1 681	1 681
5.1. Deferred tax assets	2 512	2 512	1 681	1 681
5.2. Other prepayments				
<b>II. Current assets</b>	<b>596 903</b>	<b>626 987</b>	<b>731 111</b>	<b>711 028</b>
1. Inventories	251 560	300 833	379 014	377 107
2. Short-term receivables	264 991	251 769	300 552	282 606
- including trade receivables in excess of 1 year	331	435	579	575
3. Short-term investments	75 235	74 080	47 896	51 113
3.1. Short-term financial assets	74 207	73 121	47 818	51 112
a) loans	20 750	21 500	23 500	23 500
b) cash and cash equivalents	53 457	51 621	24 318	27 612
3.2. Other short-term investments	1 028	959	78	1
4. Short-term prepayments	5 118	304	3 649	202
<b>Total assets</b>	<b>2 109 696</b>	<b>2 148 481</b>	<b>2 277 396</b>	<b>2 218 872</b>
<b>Liabilities</b>				
<b>I. Shareholders' equity</b>	<b>1 683 028</b>	<b>1 679 146</b>	<b>1 622 691</b>	<b>1 632 876</b>
1. Share capital	11 161	11 161	11 161	11 161
2. Reserve capital	103 749	103 749	104 184	104 184
3. Reserve capital from revaluation				
4. Other reserve capital	1 500 062	1 500 062	1 402 915	1 402 915
5. Retained earnings (losses)	64 174	-28 634	104 045	-10 432
6. Net profit (loss)	3 882	92 808	386	125 048
<b>II. Liabilities and provisions for liabilities</b>	<b>426 668</b>	<b>469 335</b>	<b>654 705</b>	<b>585 996</b>
1. Provisions for liabilities	105 529	105 133	107 932	105 944
1.1. Provision for deferred income tax	75 721	75 325	73 391	71 458
1.2. Other provisions	29 808	29 808	34 541	34 486
a) long-term	25 948	25 948	32 720	32 665
b) short-term	3 860	3 860	1 821	1 821
2. Long-term liabilities	<b>102 069</b>	<b>107 126</b>	<b>127 540</b>	<b>70 000</b>
2.1. Long-term credits and loans	45 000	50 000	70 000	70 000
2.2. Long-term liabilities due to the application of IFRS 16	57 069	57 126	57 540	
3. Short-term liabilities	<b>212 046</b>	<b>251 909</b>	<b>407 757</b>	<b>404 095</b>
3.1. Short-term credits and loans	0	0	189 793	112 674

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3.2. Current part of long-term credits and loans	20 000	20 000	20 000	20 000
3.3. Trade liabilities	161 627	203 539	164 559	243 046
- including trade payables in excess of 1 year	2 590	2 455	2 040	1 979
3.4. Income tax liabilities				
3.5. Other short-term liabilities	30 419	28 370	33 405	28 375
4. Accruals	<b>7 024</b>	<b>5 167</b>	<b>11 476</b>	<b>5 957</b>
<b>Total liabilities</b>	<b>2 109 696</b>	<b>2 148 481</b>	<b>2 277 396</b>	<b>2 218 872</b>
Book value	1 683 028	1 679 145	1 622 691	1 632 876
Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
Book value per share (PLN)	301,60	300,91	290,79	292,62

<b>PROFIT AND LOSS ACCOUNT for the period</b>	(thousand x PLN)		
	I quarter of 2020 - period from 01-01- 2020 to 31-03-2020	1 quarter increasingly for the period from 01-01- 2019 to 31-03-2019	I quarter of 2019 - period from 01-10- 2019 to 31-12-2019
<b>I. Net sales of products, goods and materials, including:</b>	<b>347 358</b>	<b>416 667</b>	<b>343 683</b>
1. Net sales of products	281 104	331 379	271 843
2. Net sales of goods and materials	66 254	85 288	71 840
<b>II. Costs of products, goods and materials sold, including:</b>	<b>322 469</b>	<b>389 617</b>	<b>325 334</b>
1. Production cost of products sold	258 337	305 642	254 101
2. Value of goods and materials sold	64 132	83 975	71 233
<b>III. Gross profit (loss) on sales</b>	<b>24 889</b>	<b>27 050</b>	<b>18 349</b>
IV. Selling costs	10 672	11 587	12 447
V. General and administrative costs	8 324	10 290	10 256
<b>VI. Profit (loss) on sales</b>	<b>5 893</b>	<b>5 173</b>	<b>-4 354</b>
VII. Other operating incomes	65	125	5 875
VIII. Other operating costs	189	1 247	10 736
<b>IX. Operating profit (loss)</b>	<b>5 769</b>	<b>4 051</b>	<b>-9 215</b>
X. Financial incomes	120	342	7 752
XI. Financial costs	1 554	2 037	3 289
<b>XII. Profit (loss) before taxation</b>	<b>4 335</b>	<b>2 356</b>	<b>-4 754</b>
XIII. Income tax	453	1 970	164
XIV. Other statutory reductions in profit (increases in loss)			
<b>XV. Net profit (loss)</b>	<b>3 882</b>	<b>386</b>	<b>-4 917</b>
Net profit (loss)	3 882	386	-4 917
Weighted average number of ordinary shares	5 580 267	5 580 267	5 580 267
Profit (loss) per ordinary share (PLN)	0,70	0,07	-0,88
Weighted average predicted number of ordinary shares			
Diluted profit (loss) per ordinary share (PLN)			

## Abridged Consolidated Financial Report for the 1st Quarter of 2020.

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<b>TOTAL COMPREHENSIVE INCOME for the period</b>	(thousand x PLN)		
	I quarter of 2020 - period from 01-01-2020 to 31-03-2020	I quarter increasingly for the period from 01-01-2019 to 31- 03-2019	I quarter of 2019 - period from 01-10- 2019 to 31-12-2019
Net result	3 882	386	-4 917
Differences from evaluation			
<b>Total Comprehensive Income</b>	<b>3 882</b>	<b>386</b>	<b>-4 917</b>

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Statement of changes in equity for the period from 1st January to 31st March 2020 and 2019	(thousand x PLN)						
	Share capital	Supplementary capital	Revaluation reserve	Other reserve capital	Retained profits	Current year net profit	Equity TOTAL
<b>Balance on this 01.01.2020 (opening balance)</b>	11 161	103 749		1 500 062	64 174		1 679 146
Transfer of profit from previous years							
Profit from previous years							
Dividend							
Total comprehensive income for period 1.01 - 31.03.2020						3 882	3 882
<b>Balance on this 31.03.2020 (closing balance)</b>	11 161	103 749		1 500 062	64 174	3 882	1 683 028
<b>Balance on this 01.01.2019 (opening balance)</b>	11 161	104 184		1 402 915	114 616		1 632 876
Intercapital transfer							
Profit from previous years					-10 571		-10 571
Dividend							
Total comprehensive income for period 1.01 - 31.03.2019						386	386
<b>Balance on this 31.03.2019 (closing balance)</b>	11 161	104 184		1 402 915	104 045	386	1 622 691

CASH FLOW ACCOUNT for the period	(thousand x PLN)	
	1 quarter 2020 increasingly for the period from 01-01-2020 to 31-03-2020	1 quarter 2019 increasingly for the period from 01-01-2019 to 31-03-2019
<b>A. Cash flow from operating activities – indirect method</b>	<b>11 880</b>	<b>-73 685</b>
<b>I. Net profit (loss)</b>	<b>4 335</b>	<b>2 356</b>
Tax paid	0	0
<b>II. Total adjustments</b>	<b>7 545</b>	<b>-76 041</b>
1. Depreciation	12 910	12 632
2. (Profit) loss from exchange rate fluctuations		
3. Interest and profit share (dividends)	1 477	1 727
4. (Profit) loss on investment activities		816
5. Change in reserves	396	1 987
6. Change in inventories	49 305	-1 907
7. Change in receivables	-13 222	-17 945
8. Change in short-term liabilities except for loans and credits	-39 920	-73 456
9. Change in accruals	-2 948	2 075
10. Other adjustments	-453	-1 970
<b>III. Net cash flow from operating activities</b>	<b>11 880</b>	<b>-73 685</b>
<b>B. Cash flow from investment activities</b>	<b>-3 459</b>	<b>-4 859</b>
<b>I. Inflows</b>	<b>791</b>	<b>814</b>
1. Sales of intangible and tangible fixed assets		
2. Sales of real estate properties and intangible assets		
3. From financial assets, including:	41	814
- financial assets sold		
- dividends and profit share received		
- repayments of long-term loans granted		
- interest received		64
- other inflows from financial assets	750	750
4. Other investment inflows		
<b>II. Outflows</b>	<b>-4 250</b>	<b>-5 673</b>
1. Purchase of intangible and tangible fixed assets	-4 225	-5 673
2. Real estate property and intangible assets		
3. To financial assets, including:	-25	
- financial assets purchased	-25	
- long-term loans granted		
4. Other investment outflows		
<b>III. Net cash flow from investment activities</b>	<b>-3 459</b>	<b>-4 859</b>
<b>C. Cash flow from financial activities</b>	<b>-6 585</b>	<b>75 250</b>
<b>I. Inflows</b>	<b>0</b>	<b>77 118</b>
1. Net inflows from issue of shares, other capital instruments or capital receipts		
2. Credits and loans		77 118
3. Issue of debentures		
4. Other financial inflows		
<b>II. Outflows</b>	<b>-6 585</b>	<b>-1 868</b>
1. Purchase of own shares		
2. Dividends and other dues paid to shareholders		
3. Outflows from profit distribution, other than dues paid to shareholders		

## Abridged Consolidated Financial Report for the 1st Quarter of 2020.

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4. Credits and loans repaid	-5 000	
5. Redemption of debentures		
6. From other financial liabilities		
7. Contractual payments of financial lease dues		
8. Interest paid	-1 516	-1 791
9. Other financial outflows	-69	-77
<b>III. Net cash flow from financial activities</b>	<b>-6 585</b>	<b>75 250</b>
<b>D. Total net cash flow</b>	<b>1 836</b>	<b>-3 294</b>
<b>E. Balance sheet change in cash</b>	<b>1 836</b>	<b>-3 294</b>
<b>F. Cash (beginning of period)</b>	<b>51 621</b>	<b>27 612</b>
<b>G. Cash (end of period)</b>	<b>53 457</b>	<b>24 318</b>
- funds on the VAT account	444	3 085

### III. Introductory Information

#### 1. The basic data

Apart from the parent company, the Stalprodukt S.A. Capital Group embraces 9 associated entities accounting for subsidiary companies. Stalprodukt S.A. holds 100 % of shares in the subsidiary companies, except for Zakłady Górniczo-Hutnicze "Bolesław", where it holds 94.93 % of shares.

As the group's parent company, Stalprodukt S.A., provides operating and development guidelines for the associated 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 transformer sheets – parent company Stalprodukt S.A., GO Steel Frydek Mistek a.s.
- production of cold formed profiles, road safety barriers as well as cut-to-length cold- and hot-rolled sheets and strips – parent company Stalprodukt S.A.,
- non-ferrous metal ores mining and zinc and lead production – ZGH "Bolesław" S.A. along with its subsidiary companies:
  - Zinc Smelter - Huta Cynku "Miasteczko Śląskie" S.A. – production of rectified zinc, lead and cadmium,
  - Bol-Therm Sp. z o.o. – power supply-, laboratory-, mechanics and construction-related services, transport-equipment and forwarding services, production of dolomite aggregates, zinc products and zinc alloys,
  - Gradir Montenegro d.o.o. – zinc ores mining and concentrate production,
  - Agencja Ochrony Osób i Mienia "Karo" Sp. z o.o. – bodyguard and property security services,
- trade activities:
  - Stalprodukt-Centrostal Kraków Sp. z o.o., managing the all-Poland sales network with department and trade offices in Gliwice, Włocławek, Wrocław, Szczecin and Radom,
  - Stalprodukt - Zamość Sp. z o.o.,
- other production- and services-related activities:
  - production of galvanized banding steel and wire, as well as steel strips - Cynk-Mal S.A.,
  - production of cold-rolled sheets – GO Steel Frydek Mistek a.s.
  - spare parts production and regeneration - Stalprodukt-Wamech Sp. z o.o.,



- installation, repair/renovation and maintenance of machines - Stalprodukt-Serwis Sp. z o.o.,
- structural steel production - STP Elbud Sp. z o.o., Stalprodukt-Wamech Sp. z o.o.,
- galvanizing services - STP Elbud Sp. z o.o. and Cynk-Mal S.A.,
- roads and freeways construction and management – Stalprodukt-Wamech Sp. z o.o.
- bodyguard and property security – Stalprodukt-Ochrona Sp. z o.o.,
- designing equipment related to the use of renewable energy sources – Anew Institute Sp. z o.o.

### 2. Changes in the Issuer's and Capital Group's Ownership Structure

Compared to the first quarter of 2019, there have been changes consisting in simplifying the structure of the Stalprodukt Capital Group as a result of mergers of subsidiaries that have occurred in 2019.

- 2.1. Merger of subsidiary companies in Zinc Segment, i.e. Przedsiębiorstwo Robót Drogowych w Olkuzi Spółka Akcyjna and „Boltech” Sp. z o. o.

On 9<sup>th</sup> 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, 12<sup>th</sup> Commercial Department of the National Court Register on 1<sup>st</sup> April, 2019 (day of the merger).

- 2.2. Merger of the Issuer’s subsidiary companies : Stalprodukt-Wamech Sp. z o.o., Stalprodukt-Serwis Sp. z o.o. and Stalprodukt-MB Sp. z o.o.

On 30<sup>th</sup> 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 31<sup>st</sup> 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 thousand 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.

3. Compared to the 1st quarter of 2019, the share in the capital of ZGH "Bolesław" S.A. increased to 94.93% at the end of the 1st quarter of 2020 against 94.92 % at the end of the comparative period. The increase took place as part of the employee share purchase of ZGH "Bolesław" S.A.
4. 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.

### **3. Fundamental Principles Governing the Preparation of the Abridged Interim Consolidated Financial Report**

The presented Abridged Consolidated Financial Report was prepared in respect of the period from 1 January 2020 to 31 March 2020 with the use of the full consolidation method, considering all the Group's subsidiaries. The comparable data cover the period from 1 January 2019 to 31 March 2019 referring to the profit and loss account and the cash flow statement, the balance sheet values reflect the status as of 31 December 2019.

The Group's reporting year is equivalent to the calendar year.

This Abridged Consolidated Financial Report was prepared in line with the International Financial Reporting Standards approved by the European Union and, in particular, with the International Accounting Standard No 34 "Interim Financial Reporting" and was based on the assumption that the Group will be continuing its activities in the predictable future. As of the Financial Report approval day, the Issuer's Management Board does not find any circumstances likely to threaten the continuation of activities pursued by the Capital Group.

The Interim Abridged Consolidated Financial Report does not contain all the information and disclosures required in the consolidated financial report and the additional information sheet mainly contains the explanations of events and changes indispensable for the understanding of the changes in the Group's financial standing and its performance results to have occurred since the end of the previous reporting year.

The Additional Information sheet embraces selected data explaining the facts required by the IAS 34 and the Regulation of the Minister of Finance as of 29.03.2018 r. on current and periodic information to be disclosed by issuers of securities and conditions for recognizing as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws 2018, item 757).

If the Additional Information sheet does not contain a description of some events, required by the above mentioned regulations, this shall mean that such events have not occurred during the reporting period.

### **4. Accounting Principles (Policy)**

1. In the quarterly abridged consolidated financial report the accounting principles (policy) used, including the assets and liabilities, income and costs valuation methods as well as calculation methods adopted, were identical with the ones presented in detail in the Consolidated Report 2019.

In the reporting period no essential amendments were introduced into the accounting standards (policy), nor any adjustments were made in respect of the fundamental errors and adopted estimated values which would have significantly affected the Group's property and liquidity standing and its financial result.

2. The changes introduced into the standards and interpretations issued by the International Financial Reporting Standards Council and International Financial Reporting Standards Interpretation Committee, applicable since 1 January 2019 or later, either do not apply to the Stalprodukt Group, or do not significantly affect the heretofore applied accounting policy and assessment of its asset position and financial standing. The numerous changes introduced into the existing accounting standards and interpretation changes, referring to the existing standards, have already been adopted by the International Financial Reporting Standards Council, but not approved by the EU yet and so the same shall take effect at later dates.

The Management Board does not expect the introduction of the above standards and interpretations to significantly affect the accounting principles (policy) applied by the Group, its financial standing and financial result, but the same may still require further additional or amended disclosures to be included in the report. The above mentioned changes were precisely described in the Additional and Explanatory Information sheet appended to the published Consolidated Financial Report for 2019.

3. The information contained in the Consolidated Financial Report was compiled in compliance with the principles pertaining to the assets and liabilities valuation and net financial result measurement, defined as of the balance sheet day, in compliance with IFRS adopted by the European Union and interpretations related thereto, announced in the form of the European Commission Regulations, with the principle of materiality observed.
4. From January 2019, the Issuer applies IFRS 16 to recognize and present perpetual usufruct as a lease. The impact of IFRS 16 has been described in the consolidated and separate financial statements for 2019.

### 5. Estimated Values

Estimated values in the first quarter of 2020:

- the deferred tax reserve was increased by PLN 1,235 thousand,
- an allowance for doubtful debts of PLN 21,000 was created,
- in the Zinc Segment, an impairment write-down was created for the value of finished goods and semi-finished products in the amount of PLN 10,477.2 thousand,
- provision for employee benefits of PLN 3,662 thousand was created, and the provision in the amount of PLN 1,330 thousand was released,

- a provision for energy origin certificates and emission rights was created in the amount of 5,944.7 thousand. PLN, and the provision in the amount of 15,594.2 thousand was released,
- the mine liquidation reserve of PLN 81 thousand and for land reclamation in the amount of 11 thousand were released,
- a provision for repairs was created in the amount of PLN 8,659 thousand, and the provision in the amount of 72 thousand zł was released,
- other provisions were created for the amount of PLN 1,736 thousand, and the provisions for 1 891 thousand were released.

#### IV. Business Segments

The segment-based reporting was based on IFRS 8 "Operating Segments". The rules governing the Stalprodukt Capital Group's division into operating segments and accounting principles applied in this kind of reporting were described in detail in the last published Consolidated Financial Report for 2019.

Revenues presented in the breakdown into operating segments include only revenues from external customers. There are no transactions between the 3 operating segments (electrical sheet segment, profiles segment and zinc segment). As part of the accounting policy (principles), the "other operations" item was separated to balance the results of the Capital Group. The scope of "other activities" includes assembly services, maintenance services, security, galvanizing services, production of cold rolled steel coils, etc. These services are carried out by the Capital Group companies for external customers and for the needs of individual segments, which in the Issuer's opinion is not a transaction between operating segments. At the same time, taking into account the consolidation principles, revenues from sales under "other activities" made for the benefit of operating segments as carried out within the Capital Group were excluded from consolidation.

Information on Operating Segments for 1st quarter of 2020 (PLN thousand)

Itemization	Operating Segments				Total
	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	
Segment Revenues	<b>210 862</b>	<b>153 863</b>	<b>459 613</b>	<b>65 521</b>	<b>889 859</b>
Domestic	14 360	113 415	262 299	52 780	442 854
Export	196 502	40 448	197 314	12 741	447 005
<b>Segment Costs</b>	<b>194 798</b>	<b>149 021</b>	<b>398 683</b>	<b>58 179</b>	<b>800 680</b>
<b>Segment Result</b>	<b>16 064</b>	<b>4 842</b>	<b>60 930</b>	<b>7 342</b>	<b>89 179</b>
Other Operating and Financial Revenues Non-Attributable to the Segment					29 924

## Abridged Consolidated Financial Report for the 1st Quarter of 2020.

Other General, Operating and Financial Costs Non-Attributable to the Segment					77 548
<b>Gross Profit</b>					<b>41 555</b>
Income Tax					10 303
<b>Net Profit</b>					<b>31 252</b>
Segment Assets	899 685	634 351	2 275 397	492 018	4 301 451
Assets Non-Attributable to the Segment					38 520
Total Assets					4 339 971
Liabilities	258 215	204 420	718 926	75 314	1 256 875
Contingent Liabilities					296 115
Total Liabilities					1 552 990
Investment Outlays	1 203	182	29 299	4 352	35 035
Depreciation	9 547	4 446	22 696	5 090	41 779

### Information on Operating Segments for 1st quarter of 2019 (PLN thousand)

Itemization	Operating Segments				Total
	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	
Segment Revenues	231 354	179 069	466 848	79 251	956 522
Domestic	15 850	133 663	279 780	65 828	495 121
Export	215 504	45 406	187 068	13 423	461 401
<b>Segment Costs</b>	208 936	178 140	386 290	75 171	848 537
<b>Segment Result</b>	<b>22 418</b>	<b>929</b>	<b>80 558</b>	<b>4 080</b>	<b>107 985</b>
Other Operating and Financial Revenues Non-Attributable to the Segment					10 533
Other General, Operating and Financial Costs Non-Attributable to the Segment					58 994
<b>Gross Profit</b>					<b>59 524</b>
Income Tax					15 238
<b>Net Profit</b>					<b>44 286</b>
Segment Assets	1 016 415	823 583	2 174 170	383 423	4 397 591
Assets Non-Attributable to the Segment					39 839
Total Assets					4 437 430
Liabilities	328 133	305 702	757 722	101 401	1 492 958
Contingent Liabilities					296 115

liabilities due to the application of IFRS 16					79 430
Total Liabilities					1 868 503
Investment Outlays	2 588	324	22 089	5 364	30 365
Depreciation	9 618	4 811	21 593	4 306	40 328

## V. Evaluation of obtained results and financial situation

In the first quarter of 2020, compared to the same period of 2019, the Stalprodukt S.A. Capital Group achieved sales revenues lower by PLN 66 663 thousand, i.e. by 7%. At the level of profit on sales, PLN 52 751 thousand was achieved, which means a decrease by PLN 16,794 thousand. On the other hand, at the level of operating profit, the level of PLN 41,371 thousand was achieved. Net profit in the first quarter of 2020 amounted to PLN 31 252 thousand, against PLN 44,286 thousand in the first quarter of 2019. Both the Issuer and the Capital Group maintain adequate financial liquidity, regulate their obligations in a timely manner, and the results of the first quarter are not burdened with significant impact of the COVID-19 pandemic occurring both in Poland and on foreign markets on which the Issuer and entities from the Capital Group were active .

**In the Electrical Sheets Segment,** transformer sheet sales volumes were lower by 2.6% compared to the first quarter of 2019, which combined with a fall in prices resulted in a decrease in segment sales revenues by PLN 20,492 thousand , i.e. 8.8%. The decrease in the Segment's margin in relation to the comparative period was caused by a price adjustment and an increase in costs, which included an increase in direct and indirect manufacturing costs, primarily electricity and personnel costs. The factor positively influencing the margins was the decrease in the prices of PLN and Czech koruna against the euro and the US dollar. The segment continues to feel price pressure from customers due to global overproduction. The situation of producers in the European Union is exacerbated by competition with lower production costs from regions without CO<sub>2</sub> emissions fees and lower energy costs.

The company constantly conducts activities aimed at increasing the production and sales of HiB grade sheets, thanks to which in Q1 2020 3.4 thousand tons of HiB sheets were sold.

At the same time, the Issuer would like to point out that in the first quarter of 2020 the situation was related with the level of segment customer's orders was satisfactory. Despite local restrictions imposed on operations, clients from Italy and Spain were active throughout the entire period, served by both the Bochnia plant and Frýdek-Místek plant.

The development of the situation in the segment will be closely related to the impact of the pandemic on foreign markets, the reaction of the authorities of individual countries (including the policy of producers from countries where the pandemic has ended), as well as the period of suspension of the activity of the primary operations in the Kraków branch of ArcelorMittal Poland S.A.

**In the Profile Segment**, the sales volume dropped by 4.6% compared to the first quarter of 2019. At the same time, sales revenues in the segment were lower by PLN 25,206 thousand, i.e. by 14%.

In the first quarter 2020, despite the worsening economic situation in Europe, an increased demand from customers was noticed. In the opinion of the Issuer, this was due to the reconstruction of warehouses by customers after an earlier sale at the end of 2019.

At the same time, the Issuer would like to emphasize that previous expectations for a systematic solution to the issue of dumped imports, which may have a positive impact on the situation of the company and steel processors, have not been fully resolved, including due to (relatively) high quota amounts. Imports of steel products (including, among others, tubes and profiles manufactured by Stalprodukt) on the European Union market significantly affect the competitive position of EU producers.

During the first quarter, the segment did not feel any significant impact of the pandemic, however, the Issuer predicts a worsening of the situation in the following quarters. The difficult situation, caused mainly by the lack of system solutions affecting the competitiveness of the European Union producers, was compounded by production restrictions in the automotive, furniture and construction industries, which results in the suspension or withdrawal of orders for the segment's products. It applies mainly to tubes and profiles. Against this background, the perspective of the road barrier product group looks good; the concluded road contracts are continued and the Issuer has adequate material, financial and personal resources enabling the performance of contractual tasks.

In the first quarter of 2020, **the Zinc Segment's** net revenues amounted to PLN 459.6 million and compared to the comparable period of the previous year, in which sales amounted to PLN 466.8 million, were lower by nearly 1.5%. The main reasons for the decrease in revenues were worse prices of zinc (by 21%) and lead (by 9%), with a more favorable exchange rate, which partly offset the dynamics of this decrease. The volume of flotation galena sales was also lower (down by 30%) as a result of the exploitation of poorer ore. The drop in prices was partly offset by a 14% higher sales volume of zinc.

### **ZINC, LEAD AND SILVER MARKET.**

The coronavirus-related stagnation in many areas of the world economy has generally reduced the demand for metals and thus their prices.

#### Q1 2020

average zinc cash settlement price on the London Metal Exchange 2,228 USD / ton

average lead cash settlement price on the London Metal Exchange 1,847 USD / ton

average silver prices on the London Bull Market 16.90 USD / troz (543.5 USD / kg)

The average USD / PLN exchange rate (NBP) was 3.9237



Q1 2019

average zinc cash settlement price on the London Metal Exchange 2,702 USD /ton

average lead cash settlement price on the London Metal Exchange 2,036 USD / ton

average silver prices on the London Bullion Market 15.56 USD / troz (500.5 USD / kg)

The average USD / PLN exchange rate (NBP) was 3.7883

Converted into PLN, the price of zinc was 8,318 PLN /ton and was 19% lower than in the first quarter of 2019, when it reached an average of 10,238 PLN /ton. Calculated in PLN, the price of lead was 7,231 PLN/ton and was 6% lower than in the first quarter of 2019, when it reached an average of 7,713 PLN /ton.

Converted into PLN, the price of silver was 2,132 PLN/kg, which means an increase of 12% compared to the same period last year - on average 1,896 PLN/kg.

The economic situation of entities included in the Zinc Segment, i.e. the ZGH Capital Group "Bolesław" in the first quarter of 2020 was good, despite the large decrease in zinc and lead prices on the London metal exchange compared to the first quarter of 2019.

Sales revenues dropped by nearly 1.5% and operating expenses increased by 2%. In the first quarter of this year the segment margin was 13.25% and was lower than the sales margin for the first quarter of 2019 (17.25%).

The decrease in the margin in the current period is mainly due to:

- a significant decrease in the price of LME metals,
- lower sales volumes of flotation galena and refined lead,
- increase in operating costs,
- increase in electricity prices.

Declines in zinc and lead prices on the LME also resulted in the need to update 'in minus' the valuation of finished goods and semi-finished goods inventories at ZGH "Bolesław" S.A. The amount of the write-down was increased in the first quarter of 2020 by PLN 10,477.2 thousand, and as at 31 March 2020 it amounted to PLN 33,882.4 thousand. There were no

The value of the write-off mainly concerns the ZnS concentrate - a semiproduct, being own input material for the Bolesław smelter. The write-off also results from treatment charges (TC on the market), which have increased in recent months, thus improving the profitability of smelters and reducing the value added on the side of mines (concentrate producers).

The partial offset of the decrease in the sales margin was influenced by:

- an increase in the volume of sales of zinc and zinc alloys,
- hedging transactions.

In the first quarter 2020, the zinc segment did not experience a decline in demand due to a pandemic, while it is expected that the next quarter will bring a decrease mainly caused by production restrictions in the automotive industry. Demand for segment products in the domestic construction industry is currently stable. The companies representing the Zinc Segment have full production and operational capacity.

## V. Financial instruments and risk management assessment

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

As of 31 March 2020, the subsidiary companies belonging to the Zinc Segment were applying cash flow hedge accounting for commodity and currency swaps in accordance with the rules described in the Annual Report. As of 31 March 2020 they held the following hedging measures active (the connections have been planned for the period from June 2020 to December 2021):

### 1) Currency

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
<b>Active currency hedging instruments as of 31.03.2020 r. PLN thousand</b>					
Cash Flow Hedging	forward	\$ 84 868 075,00	-43 033	-43 033	risk from USD/PLN exchange rates
Cash Flow Hedging	forward	€ 900 000,00	-88	-88	risk from EUR/PLN exchange rates

### 2) raw material

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
<b>Active commodity hedging instruments as of 31.03.2020 (zinc) PLN thousand</b>					
Cash Flow Hedging	swap	29 950	101 575	99 335	Price Change Risk Zn LME PLN
Cash Flow Hedging	swap (USD)	0	0	0	Price Change Risk Zn LME USD
Cash Flow Hedging	option strategies (collar)	6 000	6 636	6 488	Price Change Risk Zn LME
Cash Flow Hedging	put	3 000	6 767	6 488	Price Change Risk Zn LME

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Cash Flow Hedging	call	3 000	-131	0	Price Change Risk Zn LME
<b>Active commodity hedging instruments as of 31.03.2020 (lead)</b>			<b>PLN thousand</b>		
Cash Flow Hedging	swap	425	907	907	Price Change Risk Pb LME PLN
Cash Flow Hedging	swap (USD)	0	0	0	Price Change Risk Pb LME USD
Cash Flow Hedging	option strategies (collar)	0	0	0	Price Change Risk Pb LME
Cash Flow Hedging	put	0	0	0	Price Change Risk Pb LME
Cash Flow Hedging	call	0	0	0	Price Change Risk Pb LME
<b>Active commodity hedging instruments as of 31.03.2020 (silver)</b>			<b>PLN thousand</b>		
Cash Flow Hedging	swap	60 000	893	893	Price Change Risk Ag LMBA

### *Explanations Referring to Balance Sheet Items Related to Derivative Instruments*

Explanation Referring to the Item: Other long- and Short-Term Investments	PLN thousand	
	31.03.2020	31.03.2019
Long-Term investments	6 947	26 747
Short-Term Investments	152 800	57 793
<b>TOTAL, including:</b>	<b>159 747</b>	<b>84 540</b>
a) valuation of derivative transactions	113 210	29 531
b) securities	46 537	55 009

Explanation to Item: Liabilities pertaining to hedging instruments	PLN thousand	
	31.03.2020	31.03.2019
Contracts for Hedging Transactions	2 800	19 970
Conclusions of Currency Option Transactions	62 806	77 346
Adjustment pertaining to the amount resulting from the closed transactions settlements with brokers	-11 427	-3 004
<b>TOTAL</b>	<b>54 179</b>	<b>94 312</b>

### Valuation of Derivative Transactions

Valuation of Derivative Transactions	PLN thousand			
	31.03.2020		31.03.2019	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Commodity Transactions - Zinc	111 334	4 539	19 546	58 718
Commodity Transactions - Lead	907	0	4 003	16
Currency Transactions - USD/PLN EUR/PLN	76	49 640	5 982	35 578
Commodity Transactions- Silver	893	0	0	0
<b>Total</b>	<b>113 210</b>	<b>54 179</b>	<b>29 531</b>	<b>94 312</b>

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### Division of Hedging Instruments

Division of Hedging Instruments	PLN thousand			
	31.03.2020		31.03.2019	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
<b>Hedging Instruments</b>	<b>109 838</b>	<b>45 188</b>	<b>27 321</b>	<b>87 712</b>
Commodity Transactions - zinc	107 962	1 991	17 336	54 522
Commodity Transactions - lead	907	0	4 002	16
Currency Transactions - USD/PLN, EUR/PLN	76	43 197	5 983	33 174
Commodity Transactions - Silver	893	0	0	0
<b>Trade Instruments</b>	<b>3 373</b>	<b>8 990</b>	<b>2 210</b>	<b>6 599</b>
Commodity Transactions- zinc	3 373	2 548	2 210	4 195
Commodity Transactions - lead	0	0	0	0
Currency Transactions - USD/PLN, EUR/PLN	0	6 442	0	2 404
Commodity Transactions - silver	0	0	0	0
<b>Total</b>	<b>113 211</b>	<b>54 178</b>	<b>29 531</b>	<b>94 311</b>

### Financial Report Presentation of Applied Derivative Instruments

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

Derivative Transactions Presented in the Profit and Loss Account:	PLN thousand	
	31.03.2020	31.03.2019
Sales of Products Adjustment	21 990	-3 601
Sales of Goods Adjustments	0	0
Revaluation of Investments	-9 048	-7 198
Gains/Loss on Sale of Investments	2 131	-1 062
<b>Total</b>	<b>15 073</b>	<b>-11 861</b>

Cash Result from Reconciliation of Derivative Instruments:	PLN thousand	
	31.03.2020	31.03.2019
Commodity Transactions	19 652	-2 197
Currency Transactions	-9 202	-290
<b>Total</b>	<b>10 450</b>	<b>-2 487</b>

Sales of Products Adjustment Related to Application of Hedging Instruments:	PLN thousand	
	31.03.2020	31.03.2019
Sales Increase	30 384	3 681
Sales Decrease	-8 394	-7 282
<b>TOTAL</b>	<b>21 990</b>	<b>-3 601</b>

Status of Capital from Revaluation Related to Application of Hedge Accounting (excluding Deferred Tax)	PLN thousand	
	31.03.2020	31.03.2019
<b>Valuation of Open Hedging Instruments:</b>	<b>64 502</b>	<b>-60 202</b>
- Zn	105 823	-36 963
- Pb	907	3 953
- USD/PLN	-43 033	-27 647
- Ag	893	0
- EUR/PLN	-88	455
<b>Result from the Application of Hedging Instruments Capital-Retained until the Realization of the Hedged Item:</b>	<b>0</b>	<b>-145</b>
- Zn	0	-145
- Pb	0	0
- USD/PLN	0	0
<b>TOTAL</b>	<b>64 502</b>	<b>-60 347</b>

## VI. Other Information

### Events after the Balance Sheet Date

On April 29, 2020 The Management Board of ZGH "Bolesław" S.A. informed the Issuer about the adoption of a resolution on that day to terminate the extraction of zinc and lead ore from the "Olkusz - Pomorzany" Mine on December 31, 2020. By termination of mining is meant submission on December 31, 2020 of a statement on the renunciation of licenses for mining ores from the "Pomorzany" deposits and parts of the "Olkusz" and "Klucze I" deposits.

The liquidation costs of the "Olkusz-Pomorzany" mine according to the decommission-ning program is estimated at approx. PLN 140 million, which was 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.

In addition, a provision in the amount of PLN 296.1 million was created in the consolidated statement of financial position, including intended for liquidation of the mine and covering any damages related thereto.

In the opinion of the parent's entity Management Board, the assets of the Olkusz-Pomorzany mine do not constitute a separate type of activity. They are presented as part of the Zinc Segment's assets and do not generate significant financial flows separate from the Zinc Segment.

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 the current report No. 33 of 27 October 2016.

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

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. 15 May 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 2020. 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.

### Other Information

1. In the 1st quarter of 2020, the Capital Group did not experience any seasonality consequences. During the reporting period no other positions were recorded, significantly affecting the assets, liabilities, equity, net profit or cash flow, which would be untypical in terms of their kind, volume/size or frequency.
2. As of the balance sheet day, the Stalprodukt S.A. Capital Group holds the below mentioned off-balance-sheet contingent liabilities:
  - guarantees of good workmanship concerning the production and assembly of road barriers totaling PLN 15 375 thousand, and endorsement of a blank promissory note amounting to PLN 13 000 thousand, issued by STP Elbud Sp. z o.o. in order to secure the investment credit granted by Bank Pekao S.A.,

- guarantees and sureties (avals) granted by ZGH "Bolesław" amounting to PLN 1 547.5 thousand,
  - ZGH "Bolesław" S.A. issued a bill of exchange in connection with the agreement concluded with the National Center for Research and Development, amounting to PLN 38.8 million (wash tubs hall investment project) for subsidizing the project within the Intelligent Development operating program (Number of Agreement POIR.01.01.02-00-0159/16-00),
  - ZGH "Bolesław" S.A. in the IV quarter of 2019 established in the form of bank guarantees a collateral for claims of the waste holder in favour of the Marshal of the Małopolska Province in the total amount of PLN 9,132,100. The collateral in the amount of PLN 9,111.0 thousand applies to the installation of rotary kilns used for the production of zinc concentrate from waste zinc-bearing materials in a roll down process. The second collateral in the amount of PLN 21.1 thousand applies to installations used for the production of electrolytic zinc and its alloys.
  - In the first quarter of 2020, it was established in the form of a blank promissory note bearing the "not commissioned" clause together with a promissory note declaration securing the contract concluded from the National Center for Research and Development for co-financing in the amount not exceeding PLN 4,625,250.00 for industrial and development research under the project "Innovative recovery of valuable and critical metals by recycling waste from zinc hydrometallurgy." The total cost of the project is PLN 7,305,000.00.
  - no hedging's securing the financing banks in respect of the signed credit agreements, which were disclosed in the 2019 report, were subject to change.
3. The pending bankruptcy and composition proceedings cover the Group's receivables totaling PLN 3,977 thousand, wherein Stalprodukt's share amounts to PLN 743 thousand and ZGH "Bolesław" - PLN 3,234 thousand.

During the reporting period, no other essential proceedings were instituted or pending before the courts or government agencies, concerning any liabilities or receivables, which might exert a significant influence on the Group's future results and its financial standing.

4. As of the Report submission day, the shareholders holding at least 5% of the total number of votes at the General Meeting of Shareholders are:
- STP Investment S.A. holding 1 829 319 shares, accounting for a 32.78 %-share in capital 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 %-share in capital 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 a 19.10 %-share in capital and 1 066 100 votes, accounting for a 8.74 % of the total number of votes at the General Meeting of Shareholders.

As of the Report submission day, the ownership statuses of management and supervision officers in respect of the Issuer's shares are as follows:

a/ management officers:

- Piotr Janeczek 115 053 shares of nominal value: PLN 230 106,
- Łukasz Mentel 100 shares of nominal value: PLN 200.

b/ supervision officers:

- Janusz Bodek 61 974 shares of nominal value: PLN 123 948.

In the period pending from the date of issuance of the previous periodic report, no changes occurred in respect of the shareholding status of the managing and supervising officers.

Moreover, Piotr Janeczek indirectly holds, i.e. through:

- STP Investment S.A. - 1 829 319 shares, accounting for a 32.78 %-share in capital 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. - 579 652 shares, accounting for a 10.39 %-share in capital and 1 095 488 votes, accounting for 8.98 % of the total number of votes at the General Meeting of Shareholders,
- F&R FINANSE sp. z o.o. – 43 807 shares, accounting for a 0.79 %-share in capital and 43 807 votes, accounting for 0.36 % of the total number of votes at the General Meeting of Shareholders,
- Stalnet sp. z o.o. – 135 564 shares, accounting for a 2.43 %-share in capital and 383 572 votes, accounting for 3.14 % of the total number of votes at the General Meeting of Shareholders,

i.e. the total of 2 588 342 shares, accounting for a 46.38 %-share in capital and 7 398 558 votes, accounting for 60.65 % of the total number of votes at the General Meeting of Shareholders.

Considering the shares directly held by Mr. Piotr Janeczek, he holds a total of (i.e. directly and indirectly) 2 703 395 Stalprodukt S.A. shares, accounting for a 48.45 %-share in capital and 7 973 471 votes, accounting for 65.36 % of the total number of votes at the General Meeting of Shareholders.

5. Apart from the typical and routine transactions, concluded in line with market conditions, with the capital group- associated companies, resulting from the on-going operating activities, neither the Stalprodukt Company, nor its subsidiaries concluded any other transactions with associated companies during the reporting period.

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6. The total value of the Issuer's transactions with associated companies in the period from 01.01.2020 to 31.03.2020 and in the comparable period from 01.01.2019 to 31.03.2019 is presented in the Table below.

Items the 1st quarter of 2020	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-Wamech sp. z o.o.	402	4 750	728	4 635
Stalprodukt-Centrostal sp. z o.o.	55	1 109	116	902
Stalprodukt-Zamość sp. z o.o.	2 089	214	2 372	197
Stalprodukt-Ochrona sp. z o.o.	24	739	62	930
STP Elbud sp. z o.o.	478	3 734	740	4 987
Anew Institute sp. z o.o.	0			60
Cynk-Mal S.A.	0	24		27
ZGH "Bolesław" S.A.	6 089	1 736	7 098	1 411
GO STEEL Frydek Mistek a.s.	28 930	5 645	53 230	10 237

Moreover, in the 1st quarter of 2020 transactions were concluded with the companies in which the Company holds shares: Stalnet Sp. z o.o.- revenue PLN 12 thousand, costs PLN 36 thousand; receivables PLN 5 thousand, liabilities PLN 15 thousand; Stalprodukt-Profil S.A. revenue PLN 3 thousand, costs PLN 0 thousand, receivables PLN 0 thousand, liabilities: PLN 0 thousand. These were market-type transactions. The receivables in respect of F&R Finanse Sp. z o.o. amount to PLN 12 808 thousand.

Items the 1st quarter of 2019	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-MB sp. z o.o.	41	1 591	88	946
Stalprodukt-Wamech sp. z o.o.	136	2 455	346	2 320
Stalprodukt-Centrostal sp. z o.o.	58	3 363	118	1 108
Stalprodukt-Serwis sp. z o.o.	76	1 492	188	1 300
Stalprodukt-Zamość sp. z o.o.	1 553	267	1 832	275
Stalprodukt-Ochrona sp. z o.o.	22	1 197	56	922
STP Elbud sp. z o.o.	211	3 933	513	5 226
Anew Institute sp. z o.o.				
ZGH "Bolesław" S.A.		30		33
Cynk-Mal S.A.	7 354		8 429	2 153
GO STEEL Frydek Mistek a.s.	38 267	3 371	66 652	14 003

Moreover, in the 1st quarter of 2019 transactions were concluded with the companies in which the Company holds shares: Stalnet Sp. z o.o. - revenue PLN 12 thousand, costs PLN 66 thousand; receivables PLN 5 thousand, liabilities PLN 15 thousand; Stalprodukt-Profil S.A. revenue PLN 3 thousand, costs PLN 0 thousand, receivables PLN 0 thousand, liabilities: PLN 0 thousand. These

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

7. In the reporting period the Group made investment outlays on the purchase and formation of tangible fixed assets amounting to PLN 35,035 thousand. No significant fixed asset components have been disposed of during the reporting period.
8. An important proceeding in court is a lawsuit filed by Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. in Olkusz against the ZGH "Bolesław" S.A. Company for payment of mining damages in the amount of PLN 64,015,224.00 (file reference number IX GC 99/14).

On 25.04.2018, the Regional Court of Kraków, 9<sup>th</sup> Economic Department (joint case file No IX GC 543/13) issued judgments in both of the above mentioned cases:

1. regarding the suit brought by Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. in Olkusz against the Company for the payment of compensation in the amount of PLN 64,015,224.00 (File No IX GC 99/14) issued a preliminary judgment, recognizing the action of PWiK sp. z o.o. in Olkusz as justified as a matter of principle. The potential amount of the compensation shall be subject to further proceedings and may total the maximum of PLN 64 million. In connection with the referenced lawsuit, already in 2015, the Company formed a provision amounting to PLN 15 million. The company appealed against the judgment.
2. regarding the suit brought by the Company against PWiK sp. z o.o. in Olkusz for declaratory action seeking to establish that the Company is not liable for the lack of water supplies resulting from the mine dewatering activities after the mine liquidation and that the Company is not liable for the pollution of the existing or former water intakes, PWiK sp. z o.o. (File No IX GC 543/13), issued a judgment dismissing the action. The company appealed against the judgment.

On 13.03.2020 the Court of Appeal in Kraków issued the judgement in the case with ref.no AGa 527/18, between ZGH "Bolesław" S.A. and Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o. o. in Olkusz, in which it dismissed the appeal of ZGH "Bolesław" S.A. against the judgement of the Regional Court in Krakow of 25.04.2018 to the case with reference number IX GC 543/13, as well as ordered that the ZGH "Bolesław" S.A. shall pay the costs of proceedings at law in the amount of PLN 8,100 for the benefit of Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. Consequently, the ruling of the Regional Court is final and binding.

The above status means that at the moment it has been ruled by a legally-binding decision that ZGH "Boleslaw" S.A. is liable for damages to the Przedsiębiorstwo Wodociągów i Kanalizacji for the consequences in terms of water relations, connected to the future exclusion of the Mine Olkusz Pomorzany drainage and due to this, the discontinuation of water supply to their channels and for possible groundwater

pollution.

As indicated above, the interlocutory judgement is final, determining the fact of liability. The amount of compensation has not been determined, which shall be the subject of further proceedings. At the moment, the Przedsiębiorstwo Wodociągów i Kanalizacji is claiming the sum of PLN 64,604,143.05 and this is the highest amount of the principal liability amount that may be charged to the Company. The amount of compensation, if any, is influenced by the value of expenditures for alternative sources of water supply, which amount to approx. PLN 30 million. Another problem is the issue of Community co-funding, which, in the Company's opinion, shall reduce the amount claimed. At this stage the amount of any damages awarded cannot be currently determined in detail.

ZGH "Boleslaw" S.A. shall consider bringing cassation appeal against the judgement described above, about which it shall inform in a separate notice, having received a written justification from the Court of Appeal.

The above information about the judgment of the Court of Appeal was treated by the Management Board of the Issuer as confidential information and disclosed to the public in current report no. 3/2020 on March 13, 2020.

In addition, it should be mentioned that the above mentioned judgment is directly related to the issue of contingent liabilities related to the acquisition of ZGH "Bolesław" S.A., which was described in detail in the consolidated financial statements of Stalprodukt S.A. for 2013 (point 11. Settlement of the purchase price of ZGH "Bolesław" S.A.). Contingent liabilities have been defined as arising from the risks identified by the acquirer, including, among others, the costs of decommissioning the "Olkusz-Pomorzany" mine and liability for mining damages. The total amount resulting from the above estimates amounted to 296 115 thousand. This amount was presented in the balance sheet as at 31 December 2013 in the item "contingent liabilities due to the purchase of ZGH" Bolesław "S.A.".

9. During the reporting period and within the submission of the present quarterly report, neither the Parent Company, nor its subsidiaries, granted any sureties, loans, credits or guaranties, apart from the ones referred to herein.
10. On 3 February 2020, the Management Board of ArcelorMittal Poland announced the decision to restart the raw material part of the Kraków steelworks, which was temporarily stopped at the end of November 2019 due to deteriorating market conditions. According to the published notice, restarting the blast furnace and steel mill in Kraków will take place in mid-March, although the final date will depend on the time needed for preparations. However, due to the spreading coronavirus epidemic, on March 17 this year the management board of ArcelorMittal Poland postponed the

restart of the blast furnace in Krakow. According to the issued announcement, the decision not to start the installation at the previously assumed date was due to the uncertainty associated with the spread of COVID-19 disease in Europe and the fact that the company was not able to predict how the situation would develop in this respect. Some ArcelorMittal Poland's customers closed their plants or limited their orders.

The Issuer emphasizes that further suspension of steelworks at the Kraków branch of ArcelorMittal Poland does not directly affect the supply of input material executed for the needs of the Company, as these supplies have been taken over by other steel plants of the ArcelorMittal Group and have so far been carried out without major disruptions, i.e. in accordance with the production schedule and production needs of the Stalprodukt Group. Nevertheless, the long-term cooperation links between AMP and Stalprodukt and the favorable (due to the proximity of the steelworks) supply logistics from the Kraków branch of AMP mean that longer termination of the primary operations of ArcelorMittal Poland S.A. should be assessed as unfavorable from the point of view of ensuring optimal functioning of production plants operating in the Stalprodukt Group. Particular emphasis in this context should be placed on the significance of the Krakow steel mill in securing the supply of hot rolled sheets for the Electrical Sheets Segment (plants in Bochnia and Frydek-Mistek). The prolonged shutdown of the AMP primary operations - with limited availability of input material from other ArcelorMittal Group mills - requires increased effort on the part of the supplier, so that there are no disruptions in the continuity of supply.

11. In the Issuer's assessment, the factors likely to affect the Group's results at least in the perspective of the coming quarter, shall be:
  - fluctuations of charge prices and demand for Stalprodukt's products,
  - fluctuations of the LME zinc and lead prices and LBM silver prices ,
  - fluctuations of currency exchange rates.
  - the effects of the COVID-19 epidemic on the Group's operations, which as at the date of publication of this report are difficult to predict, but their importance for the level of revenues and results achieved by the Group in the coming months or even quarters will certainly be significant. The impact of the epidemic will depend on many factors (including regulatory issues, restrictions imposed by state authorities) or the degree of development of the epidemic itself, so it is difficult to estimate its anticipated effects.
12. During the reporting period and following 31.03.2020 until the preparation of the Abridged Consolidated Report for the 1st quarter 2020 no other important events took place, apart from the ones mentioned herein, which might significantly affect the Group's standing and its financial results. The Issuer does not possess any other information, which, in his opinion, is essential for the assessment and changes in the

Group's staffing level, assets structure and financial standing, or information essential for the assessment of its potential capacity to settle the liabilities incurred.

13. 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. Pursuant to par. 62, subpar. 1 of the Regulation of the Minister of Finance as of 29.03.2018 on current and periodic information to be disclosed by issuers of securities and conditions for recognizing as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws 2018, item 757 with subsequent amendments), the Issuer does not submit its separate quarterly report. This Report constitutes a supplement to the Abridged Consolidated Report rendered as the "Stalprodukt S.A. Mid-Year Abridged Financial Report for the 1st Quarter of 2020".
15. No additional information was appended to the Abridged Consolidated Financial Report for the 1st quarter of 2020 as, during the reporting period, no other events, concerning the separate report, took place, apart from the ones referred to herein.
16. This Abridged Consolidated Financial Report for the 1st quarter of 2020 was approved for publication by parent Company's Management Board on 15.05.2020.

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Łukasz Mentel  
Member of the Management Board  
– Financial Director

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Piotr Janeczek  
President of the Management Board – CEO