

ADDITIONAL INFORMATION AND NOTES

I. General information

1. The Parent Company Stalprodukt Joint-Stock Company, with a registered office at ul. Wygoda 69, is registered by the District Court for Kraków-Śródmieście in the National Court Register of Entrepreneurs under KRS No. 0000055209. The Company's main business is the manufacture of cold-rolled flat products according to the Polish Classification of Activities (PKD) 2432Z.
2. Stalprodukt SA was established on 01.07.1991, in the process of restructuring of Tadeusz Sendzimir Steelworks (now the Branch of ArcelorMittal Poland S.A.), using an innovative path of privatization. The Company started its operations on 01.07.1992, with a 60-percent participation of employees and a 40-percent participation of Tadeusz Sendzimir Steelworks in Krakow. Upon the commencement of business the Company acquired against consideration of HTS materials, inventory, work in progress and finished goods, and equipment of the former Metallurgical Processing Plant HTS. In 1995-1996, the Company purchased all the assets leased from Tadeusz Sendzimir Steelworks, including the right of perpetual usufruct of land, buildings, structures, machinery and equipment.

The Company's shares were introduced into public trading and the stock exchange. They are listed on the Warsaw Stock Exchange since 06.08.1997.

3. The Parent Company is the manufacturer of highly processed steel products such as electrical transformer sheets and strips, cold formed profiles and tubes, hot- and cold rolled sheets and strips, road safety barriers and toroidal cores.
The production plants are located in Bochnia, Krakow and Tarnow. Significant part of the production goes to export markets, mainly to the EU countries.
One of the most valuable assets of the Company is a nationwide distribution network, built from scratches, with branches located in major cities of the country, which sells not only products made by Stalprodukt, but also other products from the steel industry. The network is managed by the subsidiary Stalprodukt-Centrostal Kraków Sp. z o.o. (Polish-law limited liability company), with a registered office in Krakow.
4. The Capital Group Stalprodukt consists of the following related parties:
 - Stalprodukt S.A., with a registered office in Bochnia - Parent Company - the production of electrical transformer sheets, cold formed profiles, hot- and cold rolled sheets and strips, road safety barriers and toroidal cores. KRS No. 0000055209 District Court for Kraków-Śródmieście;
 - Stalprodukt-Centrostal Kraków sp. z o.o. (Polish-law limited liability company), with a registered office in Krakow - a subsidiary (100% of the share capital and voting rights) - trade in steel products. KRS - 0000096468 District Court for Kraków-Śródmieście;
 - Stalprodukt-Zamość sp. z o.o. (Polish-law limited liability company), with a registered office in Zamość - a subsidiary (100%) - production of carpentry and trade in metallurgical products. KRS - 0000101449 District Court in Lublin;
 - Stalprodukt-Wamech sp. z o.o. (Polish-law limited liability company), with a registered office in Bochnia - a subsidiary (100%) - production of spare parts. KRS - 0000027930 District Court for Kraków-Śródmieście;

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- Stalprodukt-Serwis sp. z o.o. (Polish-law limited liability company), with a registered office in Bochnia - a subsidiary (100%) - services concerning the installation, repair and maintenance of machinery. KRS - 0000033016 District Court for Kraków-Śródmieście;
- Stalprodukt-Warszawa sp. z o.o. (Polish-law limited liability company), with a registered office in Bochnia - a subsidiary (51%) - trade in steel products. KRS - 0000156736 District Court for Kraków-Śródmieście;
- Zinc coating plant Stalprodukt-Bolesław sp. z o.o. (Polish-law limited liability company), with a registered office in Bukowno - a subsidiary (100%) - zinc plating services. KRS - 0000029073 District Court for Kraków Śródmieście;
- Stalprodukt-MB sp. z o.o. (Polish-law limited liability company), with a registered office in Bochnia - a subsidiary (100%) - the construction and maintenance of roads and highways. KRS - 0000026878 District Court for Kraków-Śródmieście;
- Stalprodukt-Ochrona sp. z o.o. (Polish-law limited liability company), with a registered office in Bochnia - a subsidiary (100%) - the protection of property and persons. KRS - 0000123231 District Court for Kraków-Śródmieście;
- STP Elbud sp. z o.o. (Polish-law limited liability company), with a registered office in Krakow - a subsidiary (100%) - the production of steel construction and zinc plating services. KRS - 0000237732 District Court for Kraków-Śródmieście;
- Cynk-Mal S.A. (Polish-law joint-stock company), with a registered office in Legnica - a subsidiary (51%) - the production of galvanized strip and wire and zinc coating services. KRS 0000284987 District Court for Wrocław Fabryczna;
- Stalprodukt-Konstalbud sp. z o.o. (Polish-law limited liability company), with a registered office in Bochnia - a subsidiary (100%) - not commenced its operations yet after performing the provisions of an arrangement made with creditors during the bankruptcy proceedings. KRS 0000036922 District Court for Kraków Śródmieście;
- Anew Institute sp. z o.o. (Polish-law limited liability company), with a registered office in Kraków - a subsidiary (100%) - designing sources of renewable energy. KRS 0000310396 District Court for Kraków-Śródmieście;
- ZGH "Bolesław" S.A. (Polish-law joint-stock company), with a registered office in Bukowno - a subsidiary (86.92%) - non-ferrous metals mining and zinc and lead production. KRS 0000193278 District Court for Kraków-Śródmieście.

In the reporting period the Issuer's and its Capital Group's ownership structure underwent some changes:

- as of 02.04.2012 r. the companies: Ocynkownia, Elbud and Konstalbud were merged into a single company under the business name of the acquiring company, namely STP Elbud sp. z o.o.

- in October 2012 the Stalprodukt S.A. company purchased 49 % of shares from Konsorcjum Stali SA and since 19.10.2012 it has been the sole shareholder of the Stalprodukt- Warszawa sp. z o.o. company

The purchase price of the shares concerned amounted to PLN 1 300.4 thousand which corresponds to the fair value of the net assets acquired.

- on 7 November 2012 the Company concluded a Contract with the State Treasury, as a result of which Stalprodukt S.A. acquired 1 096 600 registered shares of Zakłady Górniczo-Hutnicze "Bolesław" S.A. company based in Bukowno, accounting for 86.92 % of its share capital. The transaction value amounted to PLN 219 232 thousand, i.e. PLN 20 per share.

The most important provisions of the agreement concerned were disclosed to the public in the Current Report No 13 as of 7.11.2012.

ZGH "Bolesław" is the Poland's biggest producer and supplier of electrolytic zinc, occupying a leader's position on the domestic market. The purchase of ZGH "Bolesław"

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shares accounts for the implementation of the development policy of Stalprodukt S.A. Capital Group which assumes further development through expanding to new areas and through take-overs in addition to the strengthening of the existing areas of operation. The purchase was financed from a long-term investment credit incurred at the PKO BP SA Bank, amounting to PLN 100 000 thousand, and in the remaining part from own resources.

The effect of the Contract was dependent on the fulfillment of a suspensive condition which consisted in Stalprodukt S.A.'s acquisition of the consent to be issued by the President of the Office for Competition and Consumer Protection in respect of the concentration of undertakings resulting from the Issuer's purchase of the ZGH "Bolesław" S.A. shares.

The consent concerned was acquired on 16.11.2012, and on the day of the contract conclusion indicated by the Ministry of the State Treasury - 11.12.2012 - the ZGH "Bolesław" S.A. multiple share certificates were transferred to the Stalprodukt S.A. company.

Apart from the above mentioned changes in the ownership structure of the Issuer's Capital Group, no other mergers, take-overs, sales of entities, long-term investments, divisions, restructurings or cessations of business activities took place in the reporting period.

Stalprodukt S.A., as the Parent Company of the Group, deals with the manufacturing and sets out guidelines for activities and development of subsidiaries, established in connection with the Company's restructuring and expansion of production, trade and service activities, as well as the creation of own sales network.

5. The Issuer and entities from its Group are established for an unlimited time.
6. The consolidated financial statements are presented for the year 2012, and comparable financial data for the year 2011.
The currency in use, as the basic currency of the economic environment in which the Group operates is the Polish zloty. This currency is also the currency used in the consolidated financial statements.
7. During the reporting period, the Management Board of the Issuer was composed of: Piotr Janeczek, President of the Management Board – Chief Executive Officer, and Antoni Noszkowski - Member of the Management Board - Finance Director, and Józef Ryszka - Member of the Management Board - Marketing Director.

The Supervisory Board of the Parent Company during the reporting period was composed of: Stanisław Kurnik - Chairman, Maria Sierpińska - Vice-Chairman, Kazimierz Szydłowski - Secretary, Augustine Kochuparampil, Janusz Bodek and Sanjay Samaddar and Tomasz Plaskura.

8. The enterprise of the Issuer and entities of its Group does not include internal organizational units drawing up the financial statements themselves.
9. The consolidated financial statements have been drawn up on the ground that the Parent Company, as well as other consolidated entities are going concern. There are no circumstances indicating a danger to this activity continuation.
10. From January 1, 2005 Stalprodukt SA, The Issuer of securities, admitted to public trading in accordance with the Accounting Act dated 29 September 1994 (uniform text of Polish Journal of Laws Dz.U. of 2009, No. 152, item. 1223, as amended), draws up the consolidated

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financial statements in accordance with IAS/IFRS, adopted by the European Union and related interpretations published in the form of regulations of the European Commission. The Group applied MSSF1 "the application of the international financial reporting standards for the first time" in the Annual Report for the year ended 31 December 2005. Date of transition to IFRS was 1 January 2004.

These consolidated financial statements have been drawn up in all material respects in accordance with IFRS, and in the scope not regulated by these standards, as required by the Act of 29 September 1994 on Accounting (Polish Journal of Laws Dz.U. of 2009, No. 152, item 1223, as amended) and in accordance with the requirements specified in the Regulation of the Minister of Finance dated 19 February 2009 on current and periodic information disclosed by issuers of securities and the conditions for recognition as equivalent the information required by the laws of a non-member state (Polish Journal of Laws Dz.U. of 2009, No. 33, item 259).

11. All the Capital Group entities are subject to consolidation under the full method. For lack of technical capacities, the newly-purchased ZGH "Bolesław" S.A. company was not included in the consolidation. The Consolidated Financial Report of the Stalprodukt Group and ZGH Group will be disclosed in the quarterly report for the 1 quarter of 2013 as the Issuer's Management Board decided to assume the date 31.12.2012. to be the "day of acquisition" at the same time being the day of control assumption. The argument for assuming this particular day is the fact that the financial report is prepared on that day and in practical terms this is the day on which the flow of business advantages undergoes change.

On the above specified date also the purchase price shall be reconciled in compliance with IFRS 3. According to the current status of knowledge and information, recorded as of the day of the present report, i.e. the preliminary appraisal of the fixed assets value, contingent liabilities and identified risks and threats, the Issuer's Management Board estimates that the purchase price of the company concerned shall be close to the fair value of the net assets purchased.

The presented consolidated financial statements and comparable financial data include recommendations given by an entity authorized to audit.

II. Applicable accounting rules (policy)

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

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

1.1. Fixed assets

a/ as of the date of transition to international standards, in accordance with MSSF1 "the application of International Financial Reporting Standards for the first time", the Parent Company adopted a valuation of previously used tangible fixed assets at fair value and decided to use this value as expected (implied) cost as of this day. Revaluations were made in-house with technical staff, based on their technical and market knowledge,

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taking into account the previous lifetime of the assets, the degree of wear and tear, made improvements, modernization and repairs. The following lifetimes and depreciation rates were adopted for the tangible fixed assets used in the Company prior to the date of transition to IFRS: buildings 20 years (5%), structures 10 years (10%), boilers 5 years (20%), machinery and equipment for general use 5 years (20%), metallurgical machinery and equipment 10 years (10%) and other technical equipment 5 years (20%). Difference (surplus) due to the initial revaluation was applied to equity as retained earnings.

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

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

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

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

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

e/ assets of the unit initial value up to PLN 3,500 are written off to the costs when transferring such assets to use.

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

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

Depreciation rates are reviewed annually for compliance with the economic lifetime of fixed assets.

Any and all residual values are also subject to verification.

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

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

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

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

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

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

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

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

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

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

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

1.2. Current assets

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

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

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

The production costs do not include costs:

- * arising from the unused production capacity and production losses,
- * of general management, not associated with developing the product to a form and place in which it is found at the valuation date.

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

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

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

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

The receivables expressed in foreign currencies are valued as of the balance sheet day according to the average exchange rate quoted on the day concerned, considering the exchange rates of the bank with the Parent Company's greatest foreign currency turnover. Whereas foreign currency transactions are valued according to the spot exchange rate quoted on the transaction day.

The foreign exchange differences resulting from the valuation are recognized in the profit and loss account, in the period in which they arise (revenues/expenses).

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

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

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

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

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

Capital capital is created in the Parent Company obligatorily (by the operation of law) and is intended to cover any lack of share capital. Pursuant to the Commercial Companies Code, the Company must allocate at least 8% of annual net profits to the capital reserve until it reaches one third of the share capital.

The capital reserve is increased by surpluses while the shares are issued above their nominal value and the difference from the revaluation of fixed assets that were liquidated or sold. In addition, the capital reserve was increased in 2005 due to the revaluation of fixed assets to fair value at the date of transition to IFRS, as retained earnings.

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

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

A separate item in the liabilities in the consolidated financial statements is used to disclose a minority equity, representing shares in the equity of subsidiaries, which belong to entities other than the entities subject to consolidation.

- 1.4. Bank credits, loans and other financial liabilities (leasing)** are disclosed at amortized cost (corrected purchase price) with an effective interest rate method, observing the principle of materiality. Interest cost is allocated to the respective periods and disclosed in the profit and loss account.
- 1.5. Short-term trade liabilities** are recognized according to the amounts originally invoiced. Liabilities denominated in foreign currencies are valued at the rate of the immediate implementation (exchange), which is the closing price on the balance sheet date. The resulting exchange differences are disclosed in the financial income or expense in the profit and loss account.

- 1.6. Provisions** are created when there is:

- an obligation (legal or constructive) on the balance sheet date resulting from past events,
- a probability that funds shall have to be spent,
- a possibility of making a reliable estimate calculation.

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

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- temporary income tax differences resulting from the fact that the moment when income was recognised as gained or cost as incurred was different, pursuant to the accounting law and tax regulations,
- employee benefits (retirement),
- other provisions for the expected or probable losses from business operations having a significant influence on earnings, observing the principle of materiality.

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

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

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

Pre-payments and accruals

Group makes prepayments, if they relate to future reporting periods. Accrued expenses payable are made in the amount of probable liabilities attributable to the current reporting period

1.7. Profit and loss account - the rules for determining the financial result.

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

Revenues are recognized in two major categories:

- sale of products (including services)
- sale of goods and materials

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

2. Cost of products and services sold, goods and materials include costs directly related to their production or purchase.

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

- Cost of products sold (including services)
- value of goods and materials sold

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

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3. Moreover, the financial result is also influenced by:
- other operating income and operating expenses indirectly related to the activities in such areas as gains and losses on disposal of non-financial fixed assets, revaluation of non-financial assets, the creation and termination of provisions for future risks, penalties, fines and compensation, receipt or transfer of donations,
 - financial income from dividends (profit sharing), interest, gains on disposal of investments, revaluation of investments, surplus from foreign exchange benefits over foreign exchange losses,
 - The financial costs of interest, loss on disposal of investments, revaluation of investments, the surplus of foreign exchange losses on the positive
 - mandatory financial burden as a result of income tax.

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

4. A write-off (provision) in a full amount is created according to the accruals principle, observing the precautionary principle, for interest income. Interest received according to the cash principle is disclosed in the profit and loss account.
5. Operating expenses are recorded in the period to which they relate.
Borrowing costs directly related to the acquisition or construction of assets that require a longer period of time in order to be fit for use or resale, are added to the manufacturing costs of such assets until the hand-over of these assets to use. All other borrowing costs are disclosed directly in the profit and loss account in the period in which they are incurred. (IAS 23).
6. Income tax disclosed in the profit and loss account includes some current and deferred tax. Current tax is the tax liability in respect of taxable income for the given financial year, determined using tax rates applicable on the balance sheet date and tax adjustments for previous years. Deferred tax is described under par. 1.6.
7. There was adopted the principle of cost grouping by type in the accounts under group 4 and settling them by type of activity under group 5. The Group uses and reports the calculation variant of the profit and loss account.

1.8. Leasing.

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

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1.9. Negative goodwill.

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

1.10. Rules for drawing up the consolidated financial statements

a/ consolidated financial statements and consolidated comparable data drawn up with a full method as follows:

- consolidated balance sheet drawn up by aggregating all assets and liabilities of consolidated entities and eliminating transactions associated with mutual settlements, gains retained in stocks and the value of shares in subsidiaries in connection with their share capitals
- consolidated profit and loss account and statement of total income prepared by aggregating all income and expense items for the reporting period of consolidated units and excluding turnover from mutual transactions and gains retained in stocks.
- statement of changes in equity prepared by aggregating all the positions of changes in equity of consolidated companies concerning transactions with owners and the exclusion of mutual transactions
- consolidated cash flow statement prepared by summing all items of the accounts for the reporting period and making exceptions for consolidation procedures of the balance sheet and profit and loss account.

b/ consolidated net income consists of net income of the Parent Company, net income of subsidiaries in part owned by the Parent Company, and the share of profits in associated companies in part owned by the the Parent Company.

Consolidated net result includes:

- result from operating activities, including other operating income and operating expenses
- result on financial operations
- deduction of goodwill of subsidiaries
- mandatory financial burden as a result of income tax
- share of net profits(losses) of subsidiaries valued with the equity method
- minority gains (losses)

1.11. Professional opinion, estimates and assumptions.

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

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ongoing review. Changes in accounting estimates are recognized in the period in which they were made.

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

- a/ revaluation write-offs of receivables
- b/ revaluation write-offs of inventories
- c/ provisions for retirement
- d / assets and deferred tax liabilities
- e/ periods of depreciation of fixed assets

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

III. Changes of the applicable accounting rules (policies)

1. There were no changes made to the applicable rules (accounting policy), which would have a significant impact on the financial position and operation results of the Group.

2.1 Changes in the International Accounting Standards in 2012:

The year 2012 did not bring many new duties to the companies preparing their financial reports in line with international accounting principles. In 2012, the International Accounting Standards Board introduced, practically, only three amendments.

Amendment to IFRS 7 „Financial Instruments“- „Disclosures” – Transfer of Financial Assets”

The Board expanded the requirements concerning the disclosures on transfers of financial assets. This applies to the transfers, in which:

- a) financial assets are derecognised in their entirety, but the entity has a continuing involvement in them, and
- b) Financial assets are not derecognised in their entirety, but form corresponding liabilities.

The additional disclosures-related duties are supposed to enhance the transparency of the information disclosed on financial assets transfers, especially in the case of securitization. Financial reports users acquire knowledge on the connection existing between the assets transferred and new liabilities formed and on the risks connected with the continued involvement in the derecognized assets.

The changes are applicable for the reporting periods starting on or after 1 July 2011. The companies, whose reporting year corresponds to the calendar year, will have to apply the new regulations in their reports for 2012.

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Amendment to IFRS 1 „First-Time IFRS Adoption” – „Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters”

The IRS Board introduces two changes into IFRS1:

- a) so far IFRS 1 made some of the exemptions or releases dependent on the fact if the transaction was closed before or after the 1 January 2004; the proposed amendment consists in replacing this date with the date of IFRS adoption,
- b) some new principles were introduced for companies operating under the conditions of severe hyperinflation when the growth ratios are impossible to measure and there is no stable foreign currency.

The International Financial Accounting Standard No 1 applies only to such companies which start using the IFRS. Consequently, the above changes do not affect companies, which have already been preparing financial reports in line with the international accounting principles.

The changes are applicable for the reports concerning periods starting on or after 1 July 2011, so the companies whose reporting year corresponds to the calendar year, apply the amended IFRS starting from 2012.

Amendment to IAS 12 „Income Tax” – „Deferred Tax: Recovery of Underlying Assets”

The amended standard regulates the way in which deferred tax should be calculated in cases when the applicable tax law differently handles the investment property value recovery achieved through the use of the property (rental receipts) and differently through its transfer, and the entity has no specific plans concerning the same. Then, it should be assumed that the property will be sold. Yet, if the property is a part of a business model, within the framework of which the property receipts are acquired throughout a longer period, and not through transfer, the above assumption will be quashed and the deferred tax will be calculated on the basis of the property use other than sale.

The IAS 12 amendment results in the withdrawal of the SKI 12 interpretation because its regulations have been included in the standard concerned..

The amendment is applicable for the financial reports starting on or after 1 January

The above mentioned standard amendments (changes) did not have any essential impact on the existing Stalprodukt Company’s accounting policy.

2.2 Amendments to Standards effective from 2013 onwards.:

The International Financial Standards Board prepared a number of amendments and new standards, to be applicable in 2013, which may enforce the inclusion of adjustments in financial reports:

- a) Amendment to IAS 1 „Presentation of Financial Statements” – „Presentation of Items of Other Comprehensive Income”.

The Board changed the requirement referring to the presentation of other comprehensive income. According to the amended IAS 1, the items of “other comprehensive income” should be grouped in two sets:

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- items, that will be reclassified into the financial result (e.g. consequences of security instruments valuation) and
- items, that will not be later reclassified as belonging to the financial result (e.g. the fair-value tangible assets valuation which is later included in the retained earnings regardless of the result).

The amendments concerned are effective for the reports starting on or after 1 July 2012, but they are permitted to be applied earlier. The Companies whose reporting year corresponds to the calendar year are obligated to apply the amendment in their financial reports for 2013. The amendments have been approved by the European Union.

- b) IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements”, IAS 27 “Separate Financial Statements”, IAS 28 “Investments in Associates and Joint Ventures”.

The Board published new standards and amended the existing documents regulating the consolidation-related issues. The changes partially resulted from the recent financial crisis and critical opinions voiced on the requirements contained in the existing regulations. The commentators pointed out that the existing regulations did not guarantee a consolidation report fully reflecting the entire risk exposure, connected with the application, especially by banks, of special-purpose entities, securitization and other similar structures. Thanks to the introduction of the new standards, the definition of control has been unified for all the types of entities, which were invested into by the reporting entity. The Board expects that thanks to this, it will be more difficult to avoid the consolidation duty through the transfer of partial assets to the special-purpose entities.

A new IFRS 10 replaces a major part of the existing IAS 27. The standard contains a new definition of control (with three control conditions: impact, exposure/ right to variable returns from involvement, ability to use power over the investee to affect the amount of the investor’s returns). This does not cause any changes in consolidation for the majority of standard capital groups. The changes mainly affect the entities, for which the consolidation duty was not explicit according to the existing regulations.

IFRS 11 will replace the existing IAS 31. The fundamental change is the liquidation of joint investment settlements by means of proportional consolidation.

After IFRS 11 takes effect, the equity method will be the only permitted method of investment settlements.

The amendments to IAS 27 and IAS 28 resulted from the introduction of IFRS 10 and IFRS 11.

The amendments to IAS 27 and 28 as well as the newly introduced standards will be applicable for the financial reports covering periods starting on or after 1 January 2013. The European Union has not admitted these standards to use yet. These standards are expected to be obligatorily applicable in the EU starting from 2014, however, their earlier application will be permitted from 2013 onwards.

- c) IFRS 12 “Disclosure of Interests in Other Entities

The new IFRS 12 establishes requirements concerning disclosures on consolidated and unconsolidated entities, wherein the reporting entity is characterized with a significant level of involvement. This will enable investors to assess the risk threatening the entity forming special-purpose entities and other similar structures.

Additional information and notes

The amendment will be applicable for the financial reports covering periods starting on or after 1 January 2013. The European Union has not accepted this standard for use yet. The standard is expected to be obligatorily applicable in the EU starting from 2014, however, its earlier application will be admitted from 2013 onwards.

d) IFRS 13 "Fair Value Measurement"

The new standard unifies the concept of fair value in all the IFRS and IAS standards and introduces common guidelines and rules which have been scattered across various standards so far. Moreover, this standard contains the requirements concerning disclosures on fair value measurement. As a result of IFRS 13 introduction, the standards admitting the fair-value presentation of assets or liabilities have been accordingly adjusted. This change will be applicable for the financial reports covering periods starting on or after 1 January 2013. The new standard has not yet been approved by the EU.

e) Amendment to IAS 19 "Employee Benefits"

The IAS Board introduced a number of changes into IAS 19, the most significant of which are concerned with defined benefit plans. The so called "corridor method", which allowed for the presentation of "deferred profit" or "loss" was liquidated and a new requirement was introduced concerning the immediate recognition of assets and liabilities valuation results in "other comprehensive income".

These changes will be applicable for the financial reports covering periods starting on or after 1 January 2013 and the same have already been approved by the EU.

f) IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"

The International Financial Reporting Interpretations Committee published an Interpretation No 20, which regards the accounting approach to the recognition of the surface mine stripping costs, incurred in order to obtain access to increasingly deeper levels of ore deposits. According to the interpretation, the costs activated should be divided to "inventory" (in the part corresponding to the ore excavated in the process) and "fixed assets" (in the part corresponding to the obtained access to deeper deposits)

The interpretation will be applicable for the annual periods starting on or after 1 January 2013, however, it has not been approved by the EU yet.

g) Amendment to IFRS 1 „First-Time IFRS Adoption"

The IFRS 1 amendment allows the first-time IFRS adopters to recognize the preferential government loans, existing as of the date of transition, according to one of the methods selected by the entity:

- recognizing the value calculated according to the previously applied accounting principles, or
- recognizing the value obtained through the retrospective application of appropriate standards, which require specific recognition of government assistance in the financial report (IAS 20 and IFRS 9 or IAS 39) – provided that as of the day of the loan's recognition sufficient information was available, enabling adequate valuation.

The changes will be applicable for the financial reports covering periods starting on or after 1 January 2013, however, the same have not yet been approved by the EU.

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h) Changes to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34 introduced within the framework of changes introduced into the standards every year:

- IFRS 1: procedures were established for a situation when a company using IFRS, subsequently switched to some other accounting standards and then reapplied IFRS. In accordance with the amendments, the re-transition to IFRS may be based on either IFRS 1 or IAS 8.
- IFRS 1: according to the amendment, on the day of its IFRS transition, the company may recognize the value of the activated external financing costs, fixed according to the previously applied accounting policy. After that day IAS 23 must be applied.
- IAS 1: the change consists in the resignation from the notes attached to the third balance sheet, presented in the financial report in the case the accounting principles or presentation rules are changed.
- IAS 1: it was specified that the entity may present additional periods or days (in addition to the ones required by the standard) in the financial report, but it does not have to present them with all the remaining report components (for example it may present an additional balance sheet only, without the additional statement of “other comprehensive income”, however, it must present notes referring to the additional period or day in the additional information.
- IAS 16: an incompatibility was removed, which caused some of the IAS 16 recipients to classify spare parts as inventories. According to the corrected standard such parts should be recognized as tangible assets or inventories in line with the general criteria defined for assets in IAS 16.
- IAS 32: making it precise that tax consequences of disbursements to owners and capital transactions costs should be recognized in accordance with IAS 12.
- IAS 34: coherent requirements regarding the disclosures on segment assets and liabilities from IFRS 8.

These amendments/changes will be applicable for the financial reports covering periods starting on or after 1 January 2013, however, the same have not been approved by the EU yet.

i) IFRS 7 amendment „Financial Instruments: Disclosures”

The changes introduced to the standard provide for the necessary disclosures on the financial assets and financial liabilities, recognized in the report as resulting from the financial situation in net amounts. Companies are obligated to disclose in the additional information the net and gross assets, subject to compensation.

These changes will be applicable for the financial reports covering periods starting on or after 1 January 2013, however, the same have not been approved by the EU yet.

The Management Board does not envisage that the introduction of the above standards and interpretations will have an essential impact on the accounting principles (policy) applied by the Company, its financial standing and financial result, but the same may require including some additional or adjusted disclosures in the financial report.

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3. The consolidated financial statements, in relation to previously published data in the quarterly report for the fourth quarter of 2012, included the following differences:

in thousand zloty			
Item	Past	Present	Difference
Profit and loss account			
I. Revenues from sales	1 808 703	1 808 717	+24
II. Costs of products, goods and materials sold	1 594 096	1 593 841	-255
VI. Profit on sale	76 636	76 889	253
IX. Profit from operating activities	74 936	75 189	253
XII. Gross profit	77 145	77 396	251
XIV. Net profit	59 834	60 089	255
Balance sheet			
I. Fixed assets	1 330 244	1 370 290	40 046
1. Intangible assets, including:	22 248	42 273	20 025
- right of perpetual land use	20 240	40 264	20 024
2. Tangible fixed assets	1 039 966	1 019 993	-19 973
3. Long-term receivables	266 125	306 125	40 000
5. Long-term prepayments	1 905	1 899	-6
I. Current assets	705 827	706 026	199
1. Inventories	328 095	328 302	207
2. Receivables	293 682	293 674	-8
Total assets	2 036 071	2 076 316	40 245
I. Shareholders' equity	1 576 964	1 577 220	256
II. Liabilities and provisions	459 107	499 096	39 989
Total liabilities	2 036 071	2 076 316	40 245

The resulting differences have a negligible influence on the results and financial situation of the Group.

They result from minor adjustments made in the separate financial statements of the consolidated companies in connection with the examination carried out by the expert auditors and inclusion, in the ZGH "Bolesław" shares purchase price, of the Issuer's investment-related obligation concerned with the increase of the ZGH "Bolesław" S.A share capital by PLN 40 000 thousand.

The above changes in the "Profit and Loss Account" and "Balance Sheet" were reflected under respective items of the "Statements of Changes in Equity" and "Cash Flow Statement".

4. There was no need in the reporting period to correct fundamental errors that would affect the financial situation, liquidity and financial performance and profitability of the Group.

IV. Reporting by segments

According to IFRS 8, **an operating segment** forms a part of an entity:

- which organizes the business, in connection with which revenues can be obtained and costs incurred

Additional information and notes

- the results of which are subject to regular review and assessment by the main body in the entity responsible for decision making and using these results while deciding on the allocation of resources to segments
- for which there is separate financial information available.

IFRS 8 requires disclosure of operating segments based on internal reports used in managerial accounting.

Using the management approach to segment reporting in Stalprodukt, there are two operating segments distinguished:

- Electrical Sheets Segment (DB)
- Profiles Segment (DP).

For these segments, there is separate financial information that the Management Board uses to evaluate the results of both segments for the purpose of bonus system, based on coverage margin, and for the purpose of the allocation of resources to a given segment.

These data are available for the Parent Company, and they are subject to transformation, in case of profiles segment, for the Group.

Profiles segment includes the following products: cold formed profiles and tubes, road safety barriers and hot and cold rolled sheets and strips.

Electrical sheets segment includes transformer steel sheets and toroidal cores.

The consolidated financial statements of the Group additionally include **Goods segment**, which refers to the trade goods distributed through a nationwide distribution network managed by the Company Stalprodukt-Centrostal and companies of Stalprodukt-Warsaw. The unit financial statements disclose the goods as not meeting the quantitative criterion for determining the segments, along with other services under "**other activities**" to balance the results of the Parent Company.

In connection with the take-over of the ZGH „Bolesław” S.A. company based in Bukowno, starting from 1.01.2013 and onwards an additional segment "**Zinc Segment**", embracing the ZGH Capital Group activities, will be introduced to the segment-based reporting.

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

Segment costs include the own cost of sales, including the cost of sales resulting from the operations of the segment. Segment costs do not include other operating costs, which can not be directly attributed (attributed) to the segment, general overheads costs, finance costs and income tax.

Segment result (profit/loss of the segment) is the difference between revenues and costs of the segment.

Segment assets (liabilities) are operating assets (operating liabilities) used by a segment (resulting) in operating activities, which are directly attributable to the segment (intangible assets, tangible fixed assets, inventories, receivables from customers, amounts due to suppliers) or allocated to the segment based on a reasonable basis e.g. share of the segment in sales, profit (other assets and liabilities).

The same accounting principles, including the methods of valuation, which are presented under par. II of this Information, taking into account the above findings, are applicable for reporting by segments.

Required information on operating segments for the year 2012 and comparable period was estimated and presented in the following tables (in thous. zł):

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**Information about operating segments for 2011
in thousand zloty**

Item	Electrical sheets Segment	Profiles Segment	Segment of Goods	The remaining activity	Total consolidated value
Segment revenues	666 601	1 067 924	120 131	148 239	2 002 895
Segment costs	528 573	1 011 474	112 527	125 830	1 778 404
Segment result	138 028	56 450	7 604	22 409	224 491
Other operating income and financial income not assigned to the segment					11 437
Other general operational costs and financial costs associated to the segment					87 564
Gross profit					148 364
Income tax					31 574
Net profit					116 790
Segment assets	725 541	872 301	32 559	189 880	1 820 281
Assets not assigned to the segment					14 797
Total consolidated assets					1 835 078
Total liabilities	49 882	219 369	7 268	39 411	315 930
Capital expenditures	28 140	16 485	108	18 347	63 080
Depreciation	21 814	20 116	915	7 980	50 831

**Information about operating segments for 2012
in thousand zloty**

Specification	Electrical sheets Segment	Profiles Segment	Segment of Goods	The remaining activity	Total consolidated value
Segment revenues	544 983	1 046 639	108 514	108 581	1 808 717
Segment costs	459 782	1 003 331	103 894	95 220	1 662 227
Segment result	85 201	43 308	4 620	13 361	146 490
Other operating income and financial income not assigned to the segment					17 796
Other general operational costs and financial costs associated to the segment					86 890
Gross profit					77 396
Income tax					17 307
Net profit					60 089
Segment assets	735 716	845 023	35 321	185 688	1 801 748
Assets not assigned to the segment					274 568
Total consolidated assets					2 076 316
Total liabilities	145 150	270 207	14 820	68 919	499 096
Capital expenditures	68 393	7 978	-	24 639	101 010
Depreciation	23 203	21 534	788	8 464	53 989

V. Financial instruments and risk management assessment

1. Characteristics of financial instruments and rules for their valuation

Financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another.

The main financial instruments used by the Group include bank loans, financial leasing agreements and short-term deposits. The main purpose of these instruments is to raise funds for the activities of companies in the Group.

The companies also have other financial instruments such as cash, supplies and services receivables and payables, which are formed directly in the course of their business.

Moreover, the Group has an insignificant interest in other entities, which are long-term investments.

While entering financial instruments into the accounts, they are valued at cost (purchase price), which is the fair value of the payment. Transaction costs are recognized in the initial value of financial instruments.

After initial recognition, taking into account the criterion of purchase price, financial instruments are classified into one of four categories and valued as follows:

- financial instruments measured at fair value through profit or loss. This applies to financial instruments acquired in order to generate profits through short-term fluctuations in prices,
- Financial instruments held to maturity are investments with fixed or determinable payments and fixed maturity, which the Company intends to hold to that time. They are valued at amortized cost using the effective interest method,
- loans and receivables - are valued at amortized cost using the effective interest rate, and gains or losses are recognized in the profit and loss account. Receivables with a short maturity, for which the interest rate is not specified, are valued at the amount due,
- financial instruments available for sale (all other financial assets) - are valued at fair value and gains/losses from revaluation are recognized in the revaluation reserve until the sale of investments or reduction of its value. At this point, the total profit or loss from revaluation is referenced to the profit and loss account.

The fair value of financial instruments, which are traded on the current market, is determined in relation to the prices quoted on this market at the balance sheet date. If there is no quoted market price, fair value is estimated based on valuation techniques.

Financial liabilities that are not financial instruments measured at fair value through profit or loss are valued at amortized cost using the effective interest method.

Financial instruments are derecognised from the balance sheet when the Group loses control over contractual rights that make up the financial instrument, and this usually happens when the instrument is sold or when all cash flows attributable to that instrument are transferred to an independent third party.

At each balance sheet date, the Group assesses whether there is objective evidence of impairment of a financial asset or the group of financial assets. Such evidence includes:

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severe financial difficulties of the debtor, the disappearance of an active market for that financial instrument, adverse changes in the economic, legal and market environment of the financial instrument issuer, maintaining a significant decrease in the fair value of the instrument. When such evidence prevails, it is necessary to estimate the losses and make allowance for impairment.

Derivative financial instruments are initially recognized in the books at cost and subsequently measured at fair value. Changes in fair value of derivative financial instruments are recognized immediately in the profit and loss account. Derivatives are presented in the balance sheet as assets or liabilities held for trading.

The fair value of derivative instruments, which are traded on regulated markets, and securities available for sale is determined based on quoted market prices at the balance sheet date.

To estimate the fair value of derivative instruments, the prices of which are not quoted on regulated markets, and other financial instruments, the Company uses different methods and assumptions that are based on market conditions existing at each moment of the balance sheet.

Market and dealer quotations for specific and similar instruments are usually applied. Other techniques such as option pricing models or discounted value of future estimated cash flows, are used to determine the fair value of other instruments.

It is assumed that the nominal value of financial assets and liabilities with a maturity less than one year, reflect their fair values, which means it does not require discounting.

2. The purpose and policy of risk management and measurement methods.

The Group 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 Group'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.

Risk management in subsidiaries is carried out independently under the supervision of the Parent Company.

The main risks associated with the activities of the Group include:

- a/ credit risk,
- b/ liquidity risk,
- c/ market risk, including:
 - interest rate
 - currency
- d/ contractual risk,

Credit risk,

Credit risk in the Parent Company is limited by the current examination of the creditworthiness of contracting parties, by adopting appropriate securities (bank guarantees, letters of credit, bills of exchange, suretyships) and through constant monitoring of overdue receivables. With the aim

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to maintain current control, the commerce and finance departments are obliged to apply the principles set out in the procedures: credit and debt collection. These procedures specify the selection of contracting parties, setting of credit limits and procedure in the case of past due receivables. Affiliated entities have in this respect their own policy, which consists in the cooperation with the companies insuring claims.

The following table shows the value of adopted securities:

Table 1 (the value of adopted securities)

Item No.	Type of security	Type of hedged risk	2011			2012		
			Amount	Currency	thous. PLN	Amount	Currency	thous. PLN
1	Bank guarantees and letters of credit	credit/contract	1 900 000	PLN	1 900	1 500 000	PLN	1 500
2	Bank guarantees and letters of credit	credit/contract	6 205 976	EUR	27 411	2 565 000	EUR	10 486
3	Bank guarantees and letters of credit	credit/contract	2 675 820	USD	9 144	8 680 182	USD	26 905
4	Suretyships	credit/contract	14 914 501	PLN	14 915	20 813 631	PLN	20 814
4	Suretyships	credit/contract	7 120 000	EUR	31 448	11 420 000	EUR	46 687
	Total				84 818			106 392

The amount at risk equals the balance sheet amount of receivables plus issued guarantees and sureties granted, the fair value of derivative instruments, adjusted by the adopted securities, as well as claims against the affiliates. This amount is PLN 265,792 thousand (for the Parent Company PLN 174,077 thousand). It should be noted that the average loans in arrears ratio for 12 months of 2012 (calculated as the ratio of loans in arrears to the total outstanding balance) for the Group is 22.08 as at 31.12.2012.

Table 2

The amount at risk in thousand zloty	2012	2011
1. The balance sheet value of outstanding balance	293 674	361 202
2. Guarantees and letters of credit issued	78 510	35 326
3. The fair value of derivative transactions	0	0
4. Adopted securities	106 392	84 818
5. Receivables in respect of affiliated entities	0	0
The amount at risk	265 792	311 710

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

Today, the Group has no restructured receivables, i.e. receivables in respect to the customers with whom the Company entered into an agreement to defer payment.

Given the above, the credit quality should be defined as very good.

Aging of receivables was presented in the notes to the balance sheet No. 6d - 6e.

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Liquidity risk,

Liquidity risk management refers to the control over financial flows and securing external funding opportunities, in particular: receivables collection and security in the form of credit lines.

In the current financial standing of the Group, with a clear advantage of financing with own funds, liquidity risk does not occur. However, keeping in mind the substantial capital expenditures, with the aim of protection, the Parent Company maintains granted limits on working capital loans, based on agreements reached with cooperating banks.

Market risk,

Main risks arising from financial instruments held by the Group are interest rate risk and currency risk.

Interest rates market is continuously monitored and, if the tends change, the Issuer shall take appropriate measures to protect against increases in interest rates.

Foreign exchange risk,

The main currency in export sales or in intra-Community change of goods is the euro. With respect to the risk associated with fluctuations in the EUR/PLN, the Parent Company uses the natural security, because the sales in particular periods are offset by purchases expressed or denominated in euros. Additionally, the currency standing is constantly examined. It happens that it is open in a period of two to three weeks (short or long), but its value in relation to turnover is low.

The second currency in which settlements are conducted is USD. Its share in the accounts is not significant and the currency standing is examined on an ongoing basis.

Contractual risk,

Contractual risk arises when an agreement for the sale of goods under certain conditions of delivery is reached with a customer, which gives rise to obligations on the part of the Group with respect to the contracting party to deliver a specific lot, with a commitment of the Parent Company to proceed to production before getting full payment. The situation results in the risk incurred by the Company in the form of finished goods, which are not collected by the contracting party.

Contractual risk generally occurs only when orders are taken for custom products and evaluation is carried out by a person accepting the order. The risk is mitigated through the adoption of appropriate securities (see credit risk) or by receiving partial or full prepayment for ordered goods before production.

Security accounting,

Due to the small value of the used derivatives, the Group does not keep security accounting. The balance sheet values of particular financial instruments should be considered fair because their valuation carried out by amortized cost (amortized purchase price), using the effective valuation method, showed insignificant differences.

Additional information and notes

Capital management.

The Parent Company deals with the capital management.

The policy exercised by the Management Board of the Issuer assumes the maintenance of strong capital base in order to maintain the confidence of investors, creditors and the market, and the ability to continue and further develop the Group's activities, including the realization of planned investments. Following this policy and internal procedures, the Parent Company monitors the size, structure and profitability of total equity and current capital (working) on the basis of economic ratios existing in the Company.

In 2011, the Company properly managed the capital, since the objectives associated also with liquidity were met. Basic ratios concerning capital structure and working capital management, as defined in the financial plan reached the expected values, which enabled the achievement of the Company's objectives, its smooth and reliable operation, and to raise funds for further development.

During the reporting period there was noted a decrease in the value for Shareholders, the maximising of which is the strategic goal of Stalprodukt. Net earnings per one share slightly decreased from PLN 18.40 in 2011 to PLN 10.19 in 2012 r.

Changes in equity for the years 2011 and 2012 are presented in the "Statement of changes in consolidated equity," which forms an integral part of the annual consolidated financial statements.

In 2012, the share of equity in the financing of the Group, calculated as the ratio of equity to total liabilities, decreased from 0.82 to 0.76.

The ability to manage working capital increases profitability and reduces the risk of cash shortages. In this respect, the following activities of the Issuer should be noted in particular:

- The Parent Company manages the receivables by assessing the customers' financial standings, setting credit limits and securities, monitoring claims and collections, if any, in accordance with applicable procedures. The result of proper risk management in this regard is keeping overdue receivables at a minimum level
- The main objective of the Parent Company's inventory management is to assess the costs and benefits and their balance. The measures to ensure the continuity and regularity of supply and diversification of sources of feedstock supply to the timely implementation of procurement and maintenance of stocks at an optimal level, are systematically taken.
- The Parent Company maintained a substantial amount of cash on bank accounts, depositing them in profitable and safe short-term deposits, due to the need to finance current expenses resulting from operating activities, as well as the planned capital expenditures.

The capital management in the subsidiaries is conducted independently by the Management Boards of those companies, with policies adopted by the Issuer and under the supervision and monitoring of the Parent Company.

The proper management of capital is evidenced by the fact that the Group reached a satisfactory liquidity throughout the reporting period timely fulfilled its obligations with respect to the staff, budget and suppliers.

VI. Other information and notes.

1. In 2012, no activity conducted by the Issuer and the Capital Group companies was abandoned.

Additional information and notes

2. During the reporting period the Group incurred capital expenditures of PLN 101,010 thousand. Environmental protection expenditure is not incurred. Planned capital expenditures for 2013 amounts to about PLN 120,000 thousand. Capital expenditures shall be used to finance intangible fixed assets.
3. Transactions between the Parent Company and its subsidiaries rely on constant mutual provision of supplies and services necessary for current operations. These are typical and routine transactions concluded at arm's length within the Group and under the conditions resulting from current operations. Other significant transactions with related parties, namely the transfer of rights and obligations for valuable consideration and free of charge did not occur.

4.1 Data on related companies:

The parties are considered to be related if one of the parties has the ability to control another party or significantly influence operating and financial decisions taken by another party. The Company complies with the principles set out in par. 9 of IAS 34 to consider the entity as a party related to the Parent Company.

- a/ degree of the Issuer's participation in management is 51% in the company Cynk-Mal S.A, 86.92% in the company ZGH "Bolesław" S.A. and 100% in other related parties.
- b/ mutual receivables and liabilities of the Issuer and related parties, as well as revenues and costs from mutual transactions are presented in the following tables. ZGH "Bolesław" S.A. is not included in the compiled statements as 31 December 2012 was fixed as the company's transfer day.

Figures for related companies in 2012
in thousand zloty

Specification	mutual receivables and liabilities		revenues and costs of mutual transactions	
	receivables	liabilities	revenues	costs
Stalprodukt-MB sp. z o.o.	33	2 017	278	6 091
Stalprodukt-Wamech sp. z o.o.	161	2 338	1 368	10 846
Stalprodukt-Centrostal sp. z o.o.	93 198	-	457 290	252
Stalprodukt-Serwis sp. z o.o.	34	4 422	648	15 084
Stalprodukt-Zamość sp. z o.o.	76	247	728	3 059
Stalprodukt-Warszawa sp. z o.o.	5 076	-	17 285	-
Stalprodukt-Ochrona sp. z o.o.	24	270	224	2 750
STP Elbud sp. z o.o.	305	10 383	1 654	44 413
Cynk-Mal S.A.	14 728	-	17 054	1 179
Anew Institute sp. z o.o.	3		16	

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**Figures for related companies in 2011
in thousand zloty**

Specification	mutual receivables and liabilities		revenues and costs of mutual transactions	
	receivables	liabilities	revenues	costs
Stalprodukt-MB sp. z o.o.	43	1 357	515	2 956
Stalprodukt-Wamech sp. z o.o.	121	813	1 126	9 789
Stalprodukt-Centrostal sp. z o.o.	134 913	-	547 624	763
Stalprodukt-Serwis sp. z o.o.	46	995	431	9 489
Stalprodukt-Zamość sp. z o.o.	76	1 001	12 429	3 221
Galvanizing Plant Stalprodukt-Bolesław sp. z o.o.	-	3 804	2	19 388
Stalprodukt-Warszawa sp. z o.o.	5 262	-	23 387	-
Stalprodukt-Ochrona sp. z o.o.	20	307	202	2 430
STP Elbud sp. z o.o.	205	3 363	1 614	15 128
Cynk-Mal S.A.	17 639	-	22 328	2 415
Stalprodukt-Konstalbud sp. z o.o.	1 740	-	-	-

c/ Other information necessary to draw up the consolidated financial statements relate to the following exemptions and adjustments:

Specification	in thousand zloty	
	2012	2011
Shares	78 026	73 175
fixed assets	97 552	72 807
inventories	3 630	2 363
real property investments	116 434	75 490
receivables and liabilities	137 088	175 111
revenues from the sale of goods	511 138	642 931
revenues from the sale of goods	99 967	57 015
value of goods sold	491 015	614 195
cost of production of goods sold	115 823	80 261
selling expenses	4 525	5 415
interest	0	390
loans	10 110	10 260

5. The Group did not carry out any joint ventures with other entities in the reporting year.
6. The average employment in occupational groups:
 - in 2012, total employment equalled 2,672 people, including 2,069 blue-collar and related workers, and 603 white-collar workers,
 - in 2011, total employment equalled 2,838 people, including 2,204 blue-collar and related workers, and 634 white-collar workers.
7. Remunerations, including awards, paid to managing and supervising staff in the Parent Company amounted in the 2012 - PLN 7,658 thousand, and in the year 2011 - PLN 8,624 thousand, including the remuneration of the Management Board as appropriate: PLN 6,505

Additional information and notes

and PLN 7,344 thousand, and the remuneration of the Supervisory Board amounted to PLN 1,153 and PLN 1,280 thousand.

- 7.1. Remuneration of the management and supervisory bodies of the Issuer for performing their functions in the governing bodies of subsidiaries amounted in the year 2012 - PLN 613 thousand, including managing persons PLN 536 thousand, and supervisory board members PLN 77 thousand, while in 2011 - PLN 616 thousand, including the managing persons PLN 554 thousand, and supervisory board members PLN 72 thousand.
8. Both, Stalprodukt S.A. and its subsidiaries did not give advances, credits, loans and guarantees or sureties to members of the Management Board and the Supervisory Board, except for loans from the Social Fund.
9. In the reporting period the Issuer granted surety to the subsidiary company Cynk-Mal S.A. based in Legnica, amounting to PLN 19,400 thousand, in respect of the credit incurred in the PeKaO S.A bank.

The Group does not have any contingent liabilities, other than guarantees of good performance, concerning the production and installation of road barriers as of the balance sheet date. As at 31.12.2012, the total amount of unexpired guaranties in this respect is PLN 22,684 thousand.

10. There were no significant events relating to previous years included in the annual consolidated financial statements as at 31.12.2012, which distort the picture of the activities of the financial year 2012.
11. After 31.12.2012, in addition to the information contained in this report and the report of the Management Board, there were no other events not included in the consolidated financial statements for the year 2012, which could materially affect the situation in the Group and its future financial results.
12. The financial statements and comparable financial data, adjusted for inflation, are not presented because the cumulative average inflation rate over the last three years of operation has not reached 100%.
13. These consolidated financial statements of Stalprodukt S.A. Capital Group for 2012 was approved by the Management Board of the Parent Company for publication on 29 April 2013.

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Antoni Noszkowski - Management Board Member
Finance Director

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Józef Ryszka - Management Board Member
Marketing Director

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Piotr Janeczek – President of the Management Board
Chief Executive Officer