The Stalprodukt S.A. Capital Group

Consolidated Financial Report of Stalprodukt S.A. Capital Group for the accounting year 2013

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

Bochnia, April 2015

Selected financial data

SELECTED FINANCIAL DATA	2013	2012	2013	2012
I. Net sales of products, goods and materials	2 806 523	1 808 717	666 474	433 371
II. Operating profit (loss)	80 719	75 189	19 169	18 015
III. Profit (loss) before taxation	96 819	77 396	22 992	18 544
IV. Net profit (loss)	77 445	60 089	18 391	14 397
- attributable to shareholders of the parent company	72 753	63 430	17 277	15 198
- net profit attributed to non-controlling interests	4 692	-3 341	1 114	-801
V. Net cash flow from operating activities	222 360	256 092	52 805	61 360
VI. Net cash flow from investment activities	-135 474	-357 503	-32 172	-85 658
VII. Net cash flow from financial activities	-52 620	101 359	-12 496	24 286
VIII. Total net cash flow	34 266	-52	8 137	-12
IX. Total assets	2 992 412	2 076 316	721 550	507 880
X. Liabilities and provisions for liabilities	1 236 084	499 096	298 053	122 082
XI. Long-term liabilities	453 760	121 420	109 414	29 700
XII. Short-term liabilities	564 435	356 058	136 100	87 094
XIII. Shareholders' equity	1 756 328	1 577 220	423 497	385 798
- equity attributable to shareholders of the parent company	1 627 830	1 565 113	392 513	382 837
- equity attributed to non-controlling interests	128 498	12 107	30 984	2 961
XIV. Share capital	13 450	13 450	3 243	3 290
XV. Number of shares	6 725 000	6 725 000	6 725 000	6 725 000
XVI. Profit (loss) for one ordinary share (in PLN)	11,64	9,03	2,76	2,16
XVII. Book value per share (PLN)	261,16	234,53	62,97	57,37
XVIII. Declared or paid-out dividend for one share in (PLN/EUR)	1,00		0,24	

1. Average exchange rates of zloty in NBP during the periods covered by the financial report and comparable financial data in relation to the Euro amounted to:

a) rate of exchange at end of 2013 and 2012, 4.1472 and 4.0882 respectively
b) the average rate, calculated as the arithmetical average of the exchange rates valid on the last day of each month of the year 2013 and 2012, 4.2110 and 4.1736 respectively
c) the lowest rate for 2013 and 2012, 4.0671 and 4.0465 respectively
d) the highest rate in 2013 and 2012, 4.3432 and 4.5135 respectively.

2. Basic items of the balance sheet, profit and loss account and cash flow statement were converted into Euro and presented in selected financial data.

For conversion of currency in PLN into Euros, the following rates of EUR were used, according to the following rules:
- items of assets and liabilities were converted into Euros according to the average exchange rate announced by the NBP as at 31.12.2013 and amounting to 4.1472 and 4.0882 as at 31.12.2012 (section 1a)

- items of profit and loss account and cash flows statement were converted into Euros according to the average rate which is an arithmetic average of average EUR rates announced by the NBP on the last day of each month covered by the report and amounting to 4.2110 for the year 2013 and 4.1736 for the year 2012 (section 1b).

3. For profit-per-share calculation the number of 6,655,267 shares was adopted. In accordance with IAS, 33, 69,733 own shares purchased by the Issuer were excluded from the calculation.

4. In item XVIII the dividend-per-share level was presented, as disbursed by the Issuer in 2013 in respect of 2012.

CONSOLIDATED BALANCE SHEET	Note	thousand x PLN	
		2013	2012
Assets			
I. Fixed assets		**1 914 100**	**1 370 290**
1 Intangible assets, including:	1	95 185	42 273
- right of perpetual land use		63 751	40 264
2. Property, plant and equipment	2	1 740 220	1 019 993
3. Long-term receivables		258	
4. Long-term investments	3	53 958	306 125
4.1. Real estates		5 752	
4.2. Intangible and legal assets			
4.3 Long-term financial assets		48 206	306 125
4.4. Investments in affiliated entities			
4.5. Other long-term investments			
5. Long-term accruals		24 479	1 899
5.1. Assets on account of deferred income tax	4	16 446	1 899
5.2. Other accruals		8 033	
II. Current assets		**1 078 312**	**706 026**
1. Stocks	5	506 632	328 302
2. Short-term receivables	6	409 953	293 674
3. Short-term investments	7	152 389	77 512
3.1 Short-term financial assets		120 999	77 512
a) loans			25
b) short-term securities		9 246	
c) monetary resources and their equivalents		111 753	77 487
3.2. Other short-term investments		31 390	
4. Short-term accruals	8	9 338	6 538
Assets in total		**2 992 412**	**2 076 316**
Liabilities			
I. Equity		**1 756 328**	**1 577 220**
1. Equity assigned to the shareholders of the dominating entity		1 627 830	1 565 113
1.1. Share capital	9	13 450	13 450
1.2. Treasury shares (negative value)	10	-140	-140
1.3. Supplementary capital	11	120 035	123 040
1.4. Capital from revaluation	12	4 521	5 612
1.5. Other supplementary capitals	13	1 434 185	1 372 368
1.6. Profit (loss) from previous years		-16 974	-12 647

1.7. Profit (loss) net		72 753	63 430
2. Capital non-controlling interests	14	128 498	12 107
II. Liabilities and provisions for liabilities		**1 236 084**	**499 096**
1. Provisions for liabilities	15	213 478	20 910
1.1. Provision on account of deferred income tax		49 179	15 117
1.2. Other provisions		164 299	5 793
a) long-term		141 160	4 286
b) short-term		23 139	1 527
2. Long-term liabilities	16	453 760	121 420
2.1. Long-term credits and loans		90 010	80 831
2.2. Other long-term liabilities		67 635	40 589
2.3. Contingent liabilities due to the purchase of ZGH		296 115	
3. Short-term liabilities	17	564 435	356 058
3.1. Short-term credits and loans		64 079	36 916
3.2. Short-term part of long-term credits and loans		30 963	20 000
3.3. Liabilities for supplies and services provided		367 593	268 763
3.4. Liabilities on account of current income tax		214	134
3.5. Other short-term liabilities		101 586	30 245
4. Accrued liabilities	18	4 411	708
Liabilities in total		**2 992 412**	**2 076 316**

Book value		1 756 328	1 577 220
Number of shares (in items)		6 725 000	6 725 000
Book value for one share (in PLN)	19	261,16	234,53

PROFIT AND LOSS ACCOUNT01.01.2013 – 31.12.2013

CONSOLIDATED PROFIT AND LOSS ACCOUNT	Note	thousand x PLN	
		2013	2012
I. Net revenue from sale of products, goods and materials, including:		**2 806 523**	**1 808 717**
1. Net revenue from sale of products	20	2 635 042	1 700 206
2. Net revenue from sale of goods and materials	21	171 481	108 511
II. Costs of sold products, goods and materials, including:		**2 567 709**	**1 593 841**
1. Cost of manufacture of sold products	22	2 403 604	1 493 339
2. Value of sold goods and materials		164 105	100 502
III. Profit (loss) gross on sales		**238 814**	**214 876**
IV. Costs of sales		74 439	68 386
V. General administrative costs		121 810	69 601
VI. Profit (loss) on sales		**42 565**	**76 889**
VII. Other operational revenue	**23**	50 379	5 445
VIII. Other operational costs	**24**	12 225	7 145
IX. Profit (loss) from operational activity		**80 719**	**75 189**
X. Financial revenue	**25**	30 598	12 351
XI. Financial costs	**26**	14 498	10 144
XIII. Profit (loss) gross		**96 819**	**77 396**
XIV. Income tax	**27**	19 374	17 307
XVI. Profit (loss) net, including:	**28**	**77 445**	**60 089**
1. Attributable to shareholders of the parent company		72 753	63 430
2. Attributed to non-controlling interests		4 692	-3 341

Profit net		77 445	60 089
Profit (loss) for one ordinary share (in PLN)	29	6 725 000	6 725 000
Weighted average number of ordinary shares		6 655 267	6 655 267
The weighted average number of ordinary shares adjusted against own shares		11,64	9,03

TOTAL COMPREHENSIVE INCOME 01.01.2013 – 31.12.2013

TOTAL COMPREHENSIVE CONSOLIDATED INCOME	thousand x PLN		
	Note	2013	2012
Net result		48 624	60 089
Consolidation-related differences			
Gain from a bargain purchase		28 821	
Total Comprehensive Income		**77 445**	**60 089**
Total Comprehensive Income attributable to the parent company shareholders		72 753	63 430
Total Comprehensive Income attributable to non-controlling interests		4 692	-3 341

Statement of changes in equity for the period 01.01.2013 – 31.12.2013

Statement of changes in equity for the period from 1st January to 31st December 2013 and 2012	thousand x PLN								
	Share capital	Own shares at purchase price	Supplementary capital	Capital from revaluation	Other supplementary capitals	Retained profit from previous years	Retained profit from current year	Capital non-controlling interests	Equity in TOTAL
Balance on this 01.01.2013 (opening balance)	**13 450**	**-140**	**123 040**	**5 612**	**1 372 368**	**50 783**		**12 107**	**1 577 220**
Profit distribution			**-2 397**		**61 817**	**-59 420**			**0**
Intercapital and consolidation transfer			-608	-1 091		-665		400	-1 964
Dividend						-7 672			-7 672
Inclusion in consolidation Capital Group ZGH "Bolesław"								111 299	111 299
Total comprehensive income for period 1.01 - 31.12.2013							72 753	4 692	77 445
Balance on this 31.12.2013 (closing balance)	**13 450**	**-140**	**120 035**	**4 521**	**1 434 185**	**-16 974**	**72 753**	**128 498**	**1 756 328**
Balance on this 01.01.2012 (opening balance)	**13 450**	**-140**	**120 373**	**5 714**	**1 248 924**	**114 462**		**16 365**	**1 519 148**
Profit distribution			**2 645**		**123 444**	**-126 089**			**0**
Intercapital and consolidation transfer			22	-102		817		-917	-180
Dividend						-1 837			-1 837
Total comprehensive income for period 1.01 - 31.12.2012							63 430	-3 341	60 089
Balance on this 31.12.2012 (closing balance)	**13 450**	**-140**	**123 040**	**5 612**	**1 372 368**	**-12 647**	**63 430**	**12 107**	**1 577 220**

CONSOLIDATED CASH FLOW ACCOUNT	thousand x PLN	
	2013	2012
A. Cash flow from operational activity - indirect method		
I. Profit (loss) net	77 445	60 089
II. Adjustments in total	144 915	196 003
1. Share in (profit) loss net of the subordinate entities valuated with equity method		
2. Depreciation	128 895	53 989
3. Profit (loss) on account of differences in rates	255	
4. Interest and shares in profit (dividend)	9 322	-1 416
5. Profit (loss) from investment activity	-15 765	215
6. Change of provisions level	-7 623	4 946
7. Change of stock level	-31 490	1 727
8. Change of receivables level	84 038	67 515
9. Change of short-term liabilities level, except for loans and credits	15 698	70 772
10. Change of accruals level	3 435	-878
11. Other adjustments	-13 029	-867
12. Adjustment on the score of ZGH "Bolesław" purchase price settlement	-28 821	
III. Cash flow net from operational activity	**222 360**	**256 092**
B. Cash flow from investment activity		
I. Revenue	33 451	6 140
1. Sale of intangible and legal assets and property, plant and equipment	1 205	263
2. Sale of investments in real estates and intangible and legal assets		
3 From financial assets, including:	32 246	5 851
- sale of financial assets	32 063	
- dividend and share in profit	8	23
- payment of granted long-term loans		
- interest	175	5 828
- other revenue from financial assets		
4. Other investment revenue		26
II. Expenses	-168 925	-363 643
1. Acquisition of intangible and legal assets and property, plant and equipment	-122 976	-103 341
2. Investments in real estates and intangible and legal assets		
3 For financial assets, including:	-36 286	-260 302
- acquisition of financial assets	-36 286	-260 277
– granted long-term loans		25

4. Other investment expenses	-9 663	
III. Cash flow net from investment activity	**-135 474**	**-357 503**
C. Cash flow from financial activity		
I. Revenue	19 682	110 488
1. Net revenue from the issuance of shares and other capital instruments and additional equity contributions		
2. Credits and loans	19 188	110 450
3. Issuance of debt securities		
4. Other financial revenue	494	38
II. Expenses	-72 302	-9 129
1. Acquisition of treasury shares		
2. Dividend and other payments for the holders	-7 672	-1 837
3. Other, than the payments for holders, expenses on account of the allocation of profit		
4. Payment of credits and loans	-44 359	-2 432
5. Redemption of debt securities		
6. On account of other financial liabilities	-6 734	0
7. Payment of liabilities on account of financial leasing contracts	-4 032	-424
8. Interests	-9 502	-4 436
9. Other financial expenses	-3	
III. Cash flow net from financial activity	**-52 620**	**101 359**
D. Net cash flow, total	**34 266**	**-52**
E. Balance sheet change in cash, including:	**34 266**	**-52**
- change in cash due to exchange rates fluctuations		
F. Cash (beginning of period)	**77 487**	**77 539**
G. Cash (end of period), including:	**111 753**	**77 487**
- of limited access and disposal		

Cash at beginning of the reporting period represent the amount of 77,487 thousand zł, including cash at hand 452 thousand zł, on bank accounts 77,035 thousand zł and at the end of the reporting period 111,753 thousand zł, including 372 thousand zł cash at hand and 111,381thousand zł on bank accounts.

Operating activities consist of the basic (main) activities of the Group, i.e. production, trade and service and other not classified as investing or financing activities. Net cash from operating activities is a revised financial result of the Group.

The Group's investment activity is related to acquisition and sale of tangible fixed assets of a financial and proprietary nature (fixed assets, intangible assets, shares and stocks).

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

The inconsistency between the changes declared in the balance sheet and changes declared in the operating cash flow statement is connected with the inclusion of ZGH “Bolesław” Group into consolidation during 2013.

Additional Information on the adopted accounting principles (policy) and other explanatory information

1. General information

Company's identification data

Name:	**Stalprodukt S.A.**
Legal form:	**Joint Stock Company**
Seat:	**Bochnia, Wygoda 69**
Country of Registration:	**Poland**
Registering Agency:	**District Court for Kraków-Śródmieście, National Court Register (KRS) No 0000055209**
Basic object of activities:	**Production of flat cold rolled sheets Polish Classification of Economic Activities (PKD) No 2432Z**

Stalprodukt SA was established on 01.07.1991, in the process of restructuring of Tadeusz Sendzimir Steelworks (now the Branch of ArcelorMittal Poland S.A.), using an innovative path of privatization. The Company started its operations on 01.07.1992, with a 60-percent participation of employees and a 40-percent participation of Tadeusz Sendzimir Steelworks in Krakow. Upon the commencement of business the Company acquired against consideration of HTS materials, inventory, work in progress and finished goods, and equipment and intangible assets of the former Metallurgical Processing Plant HTS. In 1995-1996, the Company purchased all the assets leased from Tadeusz Sendzimir Steelworks, including the right of perpetual usufruct of land, buildings, structures, machinery and equipment.

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

The Company is the manufacturer of highly processed steel products such transformer sheets and strips, cold formed profiles and tubes, hot and cold rolled sheets and strips, road safety barriers and toroidal cores. The production plants are located in Bochnia, Krakow and Tarnow. Significant part of the production goes to export markets, mainly to EU countries.

The sales of products are pursued directly by the Company and by the national sales network with departments localized all over the country, managed by the subsidiary company Stalprodukt-Centrostal Kraków Sp. z o.o. based in Bochnia.

Internal organizational units (subsidiaries) which prepare independent financial reports are not included in the Company's enterprize. Stalprodukt S.A. is the Parent Company and prepares a consolidated financial report.

The Stalprodukt S.A. Capital Group is established for an unlimited time.

The consolidated financial statements are presented for the year 2013, and comparable financial data for the year 2012

Composition of Management Board and Supervisory Board of the Parent Company

In the period from 1 January 2013 to 21 June 2013, the Stalprodukt Management Board was composed of:

Piotr Janeczek - President of the Board - Chief Executive Officer

Antoni Noszkowski – Member of the Board – Financial Director

Józef Ryszka - Member of the Board - Marketing Director

In the period from 21 June 2013 to 31 December 2013, the Stalprodukt Management Board was composed of:

Piotr Janeczek - President of the Board - Chief Executive Officer

Józef Ryszka - Member of the Board - Marketing Director

In the period from 1 January 2013 to 21 June 2013, the Stalprodukt Supervisory Board was *composed of:*

Stanisław Kurnik - Chairman of the Supervisory Board

Maria Sierpińska - Vice-Chairman of the Supervisory Board

Kazimierz Szydłowski - Secretary

Janusz Bodek - Member

Augustine Kochuparampil - Member

Sanjay Samaddar - MemberTomasz Plaskura - Member

In the period from 21 June 2013 to 31 December 2013, the Stalprodukt Supervisory Board was composed of:

Stanisław Kurnik - Chairman of the Supervisory Board

Maria Sierpińska - Vice-Chairman of the Supervisory Board

Kazimierz Szydłowski - Secretary

Janusz Bodek - Member

Sanjay Samaddar - Member

Tomasz Plaskura - Member

Tomasz Ślęzak - Member

Subsidiary

In the reporting year, the Stalprodukt Capital Group embraced the following subsidiary companies subject to audit pursuant to IFRS 10:

No	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	nature of the relation (subsidiary, interdependent unit, associate, with specification of direct and indirect relations)	the applied method of consolidation/ equity valuation method, or indication that the unit is not subject to consolidation/ equity valuation method	date of take- over of control/ joint control/ obtaining a significant impact	percentage of capital held	share of the total number of votes at a general meeting
1.	Stalprodukt-MB sp. z o.o.	Bochnia	construction and maintenance of roads and highways	subsidiary	full consolidation	17.10.1997	100	100
2.	Stalprodukt-Wamech sp. z o.o.	Bochnia	production of spare parts and repair services	subsidiary	full consolidation	05.12.1997	100	100
3.	Stalprodukt-Centrostal sp. z o.o.	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997	100	100
4.	Stalprodukt-Serwis sp. z o.o.	Bochnia	services of installation, repair and maintenance of machinery	subsidiary	full consolidation	29.12.1998	100	100
5.	Stalprodukt-Zamość sp. z o.o.	Zamość	woodwork production and trade of metallurgical products	subsidiary	full consolidation	09.12.1997	100	100
6.	Stalprodukt-Warszawa sp. z o.o. under liquidation	Bochnia	trade in steel products	subsidiary	full consolidation	18.08.2000	100	100
7.	Stalprodukt-Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000	100	100
8.	STP Elbud sp. z o.o.	Kraków	manufacture of structures and galvanizing services	subsidiary	full consolidation	01.06.2005	100	100
9.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008	51	51
10.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	100	100
11.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation of 1.01.2013	31.12.2012	86.92	86.92

As the Group's parent company, Stalprodukt S.A. pursues manufacturing activities and delineates the development and operating directions for the subsidiary companies formed as a result of the Company's restructuring and expansion of its manufacturing, commercial , and services-related activities as well as formation of its own sales network. Since 01.01.2013 ZGH "Bolesław" S.A., which acts as a parent company for eight entities (Note 3c'), has been subject to consolidation. The description of the shares purchase transaction was presented in the chapter „Changes in the Issuer's Ownership Structure".

Certified Auditor

Biegły.pl Kancelaria Biegłych Rewidentów Sp. z o.o.

Ul. Grabiszyńska 163/104

53-437 Wrocław

Banks

Bank Pekao S.A.

Nordea Bank Polska S.A.

Bank Handlowy w Warszawie S.A.

PKO Bank Polski S.A.

BNP Paribas Bank Polska S.A.

Societe Generale S.A. Oddział w Polsce

Listing on the regulated market

The Company's shares are traded on the Warsaw Stock Exchange from 06.08.1997 r.

Significant Shareholders

As of 31.12.2013 r. the shareholders entitled to above 5 % of votes at the General Meeting of Shareholders:

- ArcelorMittal Poland S.A. holding 2 270 800 shares, accounting for 33.77 % of capital share and 6 846 800 votes, accounting for 38.20 % of the total number of votes at the General Meeting of Shareholders.

- STP Investment S.A. holding 1 959 725 shares, accounting for 29.14 % of capital share and 5 899 941 votes, accounting for 32.92 % of the total number of votes at the General Meeting of Shareholders.

- Stalprodukt-Profil S.A., holding 619 065 shares, accounting for 9.21 % of capital share and 941 349 votes, accounting for 5.25 % of the total number of votes at the General Meeting of Shareholders.

2. Compliance with the International Financial Reporting Standards

From January 1, 2005 Stalprodukt SA, The Issuer of securities, admitted to public trading in accordance with the Accounting Act dated 29 September 1994 (uniform text of Polish Journal of Laws Dz.U. of 2009, No. 152, item. 1223, as amended) and pursuant to the Resolution of AGM dated 30 June 2005, draws up the individual financial statements in accordance with IAS/IFRS, adopted by the European Union and related interpretations published in the form of regulations of the European Commission. The Group applied MSSF1 "the application of the international financial reporting standards for the first time" in the Annual Report for the year ended 31 December 2005. Date of transition to IFRS was 1 January 2004.

These consolidated financial statements have been drawn up in all material respects in accordance with IAS/IFRS, and in the scope not regulated by these standards, as required by the Act of 29 September 1994 on Accounting (Polish Journal of Laws Dz.U. of 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).
The presented financial statements and comparable financial data include recommendations given by an entity authorized to audit.

Assumptions for the Continuation of Economic Activities

The Report was prepared with the assumption that the Group's economic activities would be continued and no circumstances indicate that such activities are threatened. As of the report signing day, the Company's Management Board does not record any facts or circumstances which would indicate a threat to the continuation of the economic activities to be pursued by the Issuer in the 12-month period following the balance-sheet day.

Functional and Presentation Currency

The currency in use, as the basic currency of the economic environment in which the Group operates is the Polish zloty. This currency is also the currency used in the consolidated financial statements.

Consolidation Method

At the Parent Company's level, all the Capital Group's companies undergo full consolidation.

3. Applicable accounting rules (policy)

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 in the Group.

Fixed assets

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

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

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

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

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

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

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

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

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

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

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

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

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

j) intangible assets are recognized if it is probable that they will ensure the 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 Company as intangible assets because the title concerned, alike land, does not lose in value and is valid for an indefinite period of time. It is not subject to depreciation or redemption either.

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

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

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

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

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

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

Current assets

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

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

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

The production costs do not include costs:

- arising from the unused production capacity and production losses,

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

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

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

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

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

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

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

Equity

Equity of the 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.

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

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

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

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

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

The minority capital, accounting for the equity shares of the subsidiaries other than the ones subject to consolidation, is shown as a separate item within the Liabilities sheet of the Financial Report.

Liabilities

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

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

Provisions

Provisions are created when there is:

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

- a probability that funds shall have to be spent,

- a possibility of making a reliable estimate calculation.

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

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

- employee benefits (retirement),

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

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

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

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

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

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

Profit and loss account

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

Revenues are recognized in two major categories:

- sale of products (including services),

- sale of goods and materials.

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

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

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

- cost of products sold (including services),

- value of goods and materials sold.

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

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

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

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

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

- mandatory financial burden as a result of income tax.

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

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

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

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

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

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

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

Leasing

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

Negative goodwill

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

Principles Governing the Preparation of the Financial Report

a/ The Consolidated Financial Report and consolidated comparable data were prepared by means of the full consolidation method as follows:

- the consolidated balance sheet was drawn up by adding all the items belonging to the Assets and Liabilities of the companies subject to consolidation and by eliminating the items related to mutual settlements, earnings retained in inventories and value of the shares held in subsidiary companies in conjunction with their share capitals,
- the Consolidated Profit and Loss Account and Comprehensive Income Statement were drawn up by adding all the income and cost items relating to the consolidated companies in the reporting period and by excluding the revenues from the intercompany transactions and earnings retained in inventories,

- the Report on Changes in Equity was drawn up by adding all the changes in equity in respect of the consolidated companies, related to the transactions with equity owners, and by excluding the intercompany transactions,
- the Consolidated Cash Flow Statement was drawn up adding all the accounting items in respect of the reporting period and excluding consolidation procedures of the Balance Sheet and Profit and Loss Account.

b/ the consolidated net profit consists of the Parent Company's net profit, subsidiary companies' net profit in the part in which the Parent Company owns these companies and the profit share in the associated companies in the part in which the Parent Company owns these companies.

The consolidated net profit embraces:

- operating result, including other operating income and operating costs,
- financial operations result,
- write off of the subsidiaries' goodwill,
- statutory encumbrances on the financial result in respect of the income tax,
- share of profit (loss) in subsidiary companies accounted for with the equity method,
- minority profit (loss).

Professional opinion, estimates and assumptions.

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

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

a) revaluation write-offs of receivables,

b) revaluation write-offs of inventories,

c) provisions for retirement,

d) assets and deferred tax liabilities,

e) periods of depreciation of fixed assets,

f) settlement of the ZGH "Bolesław" S.A. purchase price and valuation of the take-over-related liabilities.

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

4. Changes of the applicable accounting rules (policies)

The IFRS, in the shape approved by the EU, do not substantially differ from the regulations adopted by the International Accounting Standards Board (IASB), except for the interpretations listed below, which as of 28.04.2014 have not yet been approved for use.

Standards not approved for use

- ***IFRS 9, „Financial Instruments" and subsequent amendments*.** No effective date has been fixed yet.
- ***Amendments to IAS 19 „Employee Benefits"*** – Defined Benefit Plans: Employee Contributions. It is applicable for annual periods starting on or after 1 July 2014.
- ***„Amendments to IFRS (cycle 2010-2012)".*** The changes made within the procedure introducing the annual amendments to IFRS/IAS (IFRS2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38). Applicable for the annual periods starting on or after 1 July 2014.
- ***„Amendments to IFRS (cycle 2011-2013)".*** The changes made within the procedure introducing the annual amendments to IFRS/IAS (IFRS 1, IFRS 3, IFRS 13, IAS 40), mainly focused on the elimination of incompatibilities and disambiguation of terminology. Applicable for the annual periods starting on or after 1 July 2014.
- ***IFRIC 21 interpretation „Levies".*** Applicable for the annual periods starting on or after 1 January 2014.

According to the Company's estimates, the above mentioned standards, interpretations and amendments to standards would not have had a significant impact on the Financial Report if the same had been applied by the entity as of the balance sheet day.

At the same time, in addition to the EU-approved regulations, hedge accounting is also applied for the financial assets and liabilities portfolio, whose underlying principles have not yet been approved for use by the EU.

First-Time Adoption Standards

The following standards, amendments to the existing standards and interpretations published by the International Accounting Standards Board (IASB) and approved for use in the European Union are subject to first-time adoption in 2013:

- ***IFRS 13, "Fair Value Measurement".*** Approved in the EU on 11 December 2012 is aimed at the improvement of coherence and limitation of complexity to be achieved by providing a precise definition of fair value and single source of requirements related to the fair value measurement and disclosure-related requirements, that should be applied. Applicable for the annual periods starting on or after 1 January 2013.

- ***Amendment to IFRS 1, ”IFRS First-Time Adoption” Government Loans***. Approved in the EU on 4 March 2013. The amendment is concerned with the government loans and specifies how the entities reporting according to IFRS for the first time should reconcile a government loan with the interest rate lower than the market one, at the moment of their IFRS first-time adoption. The Amendment also introduces an exception relating to the full retrospective IFRS adoption, which provides the same relaxation of requirements to the first-time IFRS adopters as to the entities reporting according to IFRS at the time when the requirement was first introduced into IAS 20 in 2008. Applicable for the annual periods starting on or after 1 January 2013.
- ***Amendment to IFRS 7, “Financial Instruments – Disclosures” Compensation of financial assets and liabilities.*** Approved in the EU on 13 December 2013. The Amendment introduces an obligation to furnish new disclosures, which will allow for comparing of the IFRS-reporting entities with the ones preparing their financial reports according to US GAAP. Applicable for the annual reports starting on or after 1 January 2013.
- ***Amendment to IAS 1, ”Presentation of Financial Statements” Presentation of other comprehensive income.*** Approved in the EU on 5 June 2012. The main difference arising form the change concerned is the requirement that the entries presented in ”other comprehensive income” (OCI) should be grouped on the basis of whether or not the same will covered in the financial result in the future (reclassification adjustments). The Amendment defines which entries should be included in OCI. Applicable for the annual periods starting on or after 1 July 2012.
- ***Amendment to IAS 12 „Income Tax” Deferred tax Recognition of Deferred Tax Assets.*** Approved in the EU on 11 December 2012. Applicable for the annual periods starting on or after 1 January 2013.
- ***Amendment to IAS 19 ”Employee Benefits” Amendment on Accounting for Termination Benefits.*** *Approved in the EU on 5 June 2012. Applicable for the annual periods starting on or after 1 January 2013.*
- ***”Amendments to IFRS (cycle 2009-2011)”.*** Approved in the EU on 27 March 2013**.** The changes made within the procedure introducing the annual amendments to IFRS/IAS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34), mainly focused on the elimination of incompatibilities and disambiguation of terminology. Applicable for the annual periods starting on or after 1 July 2013.

- ***IFRIC 20, ”Stripping Costs in the Production Phase of a Surface Mine”***

Approved in the EU on 11 December 2012. It defines the accounting principles concerning the stripping costs in the production phase of a surface mine. This interpretation may require that the mining entities - IFRS reporters, should write off the existing assets arising from stripping activities, shifiting into the opening balance of their retained earnings if such assets cannot be assigned to an identified part of the ore resource concerned. Applicable for the annual periods starting on or after 1 January 2013 .

The above mentioned amendments to standards did not have a significant impact on the to-date accounting policy of the Stalprodukt Group.

Standards published and approved by the EU, which have not come into effect yet.

- ***„Package of Five Standards” on consolidation, joint arrangements, associates and disclosures on involvement with other entities .***

(1)***IFRS 10, ”Consolidated Financial Statements”.***

The goal of IFRS 10 is to define the rules for the presentation and preparation of consolidated financial statements in the situation where the parent entity exercises control over one or a bigger number of entities. The standard defines the principle of control as the basis of consolidation. The standard defines the way in which the control principle should be applied in order to determine if the given investor exercises control over the entity into which an investment was made and if this is the reason why the entity should be subject to consolidation. The standard also defines the accounting requirements governing the preparation of consolidated financial statements.

(2)***IFRS 11, ”Joint Arrangements”***

IFRS 11 is a more realistic reflection of joint arrangements, achieved by focusing on the rights and obligations of the parties to the agreement and not on their legal status. Two types of joint arrangements are classified: joint activities and joint ventures. The „joint activities” occur when the co-controlling partner of the joint activities holds title to the assets and has obligations arising from the arrangement and, consequently, discloses his share in the assets, liabilities, income and costs. The „Joint venture” occurs when the co-controlling partner to the joint venture hold title to the net assets arising from the arrangement and, consequently, recognizes his shares in the joint venture using the equity method. Proportional consolidation of joint ventures is no longer allowed.

(3)***IFRS 12, ”Disclosures on Involvement in Other Entities”***

IFRS 12 requirements concerning the disclosures on all forms of shares/interests in other entities, including joint ventures, associates, special purpose entities and other off-balance sheet vehicles.

(4)***IAS 27, ”Separate Financial Statement”***

IAS 27 (updated in 2011) contains regulations governing separate financial statements, which remained valid after the IAS 27 control regulations were included into the new IFRS10.

(5) ***IAS 28, ”Associated Entities and Joint Ventures”***

IAS 28 (updated in 2011) contains the requirements concerning joint ventures as well as associated entities, referring to the principle of their recognition with the equity method according to IFRS 11.

In June 2012no amendments to IFRS 10, IFRS 11, IFRS 12 were introduced with the aim of explaining the transitional provisions.

In October 2012 some amendments were introduced to IFRS 10, IFRS 12, IAS 27, which provide an exemption from the consolidation requirement according to IFRS 10 and require that investor entities should recognize their subsidiaries at their fair value in the item: financial result, instead of consolidating them. The amendments also provide the requirements concerning the disclosures to be made be investor entities.

All the standards included in the ”Package of Five Standards” and the subsequent amendments are applicable for the annual periods starting on 1 January 2014 or after with the option of earlier adoption – on condition of simultaneous adoption of all the five standards.

- ***Amendments to IAS 32, ”Financial Instruments: Presentation” Compensation of Financial Assets and Liabilities.*** *The amendments are concerned with the application of the IAS 32 guidelines, ”Financial Instruments: Presentation”, and explain some of the requirements governing the balance sheet compensation of financial assets and liabilities.* Applicable for the annual periods starting on or after 1 January 2014.
- ***Amendments to IAS 36, „Impairment of Non-Financial Assets” Recoverable Amount Disclosures.***

  These amendments define the disclosures concerning the recoverable amount of the assets, which were classified as impaired, if the amount concerned is based on the fair value reduced by the costs of sale**.** Applicable for the annual periods starting on or after 1 January 2014.
- ***Amendments to IAS 39 ”Financial Instruments: Recognition and Measurement” Novation of Derivatives and Continuation of Hedge Accounting.*** This Amendment allows for the continuation of hedge accounting in the situation when the novation of a derivative with the central clearing house meets specific criteria. Applicable for the annual periods starting on or after 1 January 2014.
- ***IFRIC 21, “Taxes and Levies”*** *Acts as an interpretation to IAS 37 ”Provisions, Contingent Liabilities and Contingents Assets”. IAS 37 defines the criteria for the recognition of a liability, one of which is a requirement that the present liability held by the entity resulted from a past event (understood as an 'obligating event). The interpretation explains that the 'obligating event', which results in the obligation to*

pay tax and levies, is an activity defined in respective provisions, and as such releases the disbursement of taxes and levies.

The Management Board of the Parent Company does not expect the introduction of the above standards and interpretations to have a significant impact on the accounting principles (policy) applied by the Group, its financial condition and financial result, but the same may require some additional or amended disclosures to be included in the Financial Report.

5. Notes

NOTE 1a - INTANGIBLE ASSETS	thousand x PLN	
	2013	2012
a) costs of completed developmental works	1 971	
b) goodwill	18 670	
c) concessions, patents, licenses and similar	9 930	1 505
- computer software		535
d) other intangible assets	863	504
e) advance payments for intangible assets	63 751	40 264
Intangible assets, total	95 185	42 273

1b NOTE - Changes of intangible assets (by group type)	thousand x PLN						
	a	b	c		d	e	
	cost of completed developmental works	goodwill	concessions, patents, licenses and similar values, including:		other intangible assets	advance payments for intangible assets	Intangible assets, total
				- computer software			
a) gross value of intangible assets at the beginning of the period			5 409	1 306	2 360	40 264	48 033
b) increase (due to)	2 139	18 670	15 230	4 519		23 487	59 526
- consolidation		18 670	15 184	4 519		23 487	57 341
- purchase	2 139		46				2 185
c) decrease (due to)			70				70
- liquidation			70				70
d) gross value of intangible assets at the end of the period	2 139	18 670	20 569	5 825	2 360	63 751	107 489
e) accumulated depreciation (amortization), at the beginning of the period			9 391	771	1 312		10 703
f) depreciation for the period (due to)	168		1 248	178	185		1 601
- depreciation allocated to the costs	168		1 314	178	185		1 667
- decrease due to liquidation			66				66
g) accumulated depreciation (amortization) at the end of the period	168		10 639	949	1 497		12 304
h) charges for permanent loss of value at the beginning of the period							
- increase							
- decrease							
i) write-offs for permanent loss of value at the end of the period							
j) net value of intangible assets at the end of the period	1 971	18 670	9 930	4 876	863	63 751	95 185

All intangible assets are owned by the Stalprodukt Capital Group. The Group does not rent or lease intangible assets.

NOTE 2a - TANGIBLE FIXED ASSETS	thousand x PLN	
	2013	2012
a) fixed assets, including:	1 564 755	895 366
- Land (including the right of perpetual usufruct)	22 866	19 804
- Buildings, premises, civil engineering objects	607 318	361 512
- Plants and machinery	897 164	504 840
- means of transport	29 182	5 073
- other fixed assets	8 225	4 137
b) fixed assets under construction	175 465	124 627
c) advance payments on fixed assets under construction		
Tangible fixed assets, total	1 740 220	1 019 993

As of the balance sheet day:
- the real estate located at Wadowicka Street in Cracow is encumbered with a joint mortgage of up to PLN 150 000 thousand, supposed to secure the repayment of a long-term investment credit incurred at the PKO BP Bank based in Warsaw amounting to PLN 100 000 thousand appropriated for the majority stake of ZGH „Bolesław" S.A.in Bukowno.
- the properties of the Cynk-Mal S.A. company in Legnica were encumbered by mortgage in favor of Bank Śląski in respect of credit agreements. The mortgage amounted to PLN 3,000 thousand.

Moreover, some of the Cynk-Mal S.A. production equipment and production lines are subject to registered pledges, amounting to PLN 4,275 thousand in various banks.

Other tangible assets are not encumbered with mortgages, registered pledges and ownership transfers.
Tangible fixed assets are valued according to cost, i.e. the purchase price (production cost) less accumulated depreciation (amortization). As of the balance sheet date no write-offs were made due to impairment of the value of fixed assets, as there was no indication proving it. In the reporting year it has been noted full use of the fixed assets, and volume of sales of all products was by 24 per cent lower than in the previous year.

2b NOTE - CHANGE OF FIXED ASSETS (BY GROUPS)						
thousand x PLN						
	- land (including perpetual usufruct)	- buildings, premises, civil engineering objects	- plants and machinery	- means of transport	- other fixed assets	Fixed assets, total
a) gross value of fixed assets at the beginning of the period	19 804	454 978	692 431	14 009	7 438	1 188 660
b) increase (due to)		2 072	71 435	1 288	1 276	76 071
- investment		2 072	62 151	1 027	1 276	66 526
- leasing				261		261
- change of spare parts included in fixed assets			9 284			9 284
c) inclusion in consolidation Capital Group ZGH	3 062	480 376	533 948	35 019	8 076	1 060 481
- post-revaluation amount						
d) decrease (due to)		270	323	517	41	1 151
- sale				517		
- liquidation		270	323		41	
- post-revaluation amount (change in gross value)						
- transfer to investment properties						
- changes resulting from IAS application						
e) gross value of fixed assets at the end of the period	22 866	937 156	1 297 491	49 799	16 749	2 324 061
f) accumulated depreciation (amortization), at the beginning of the period		93 433	187 591	8 936	3 301	293 261
g) inclusion in consolidation depreciation of Capital Group ZGH		218 713	179 469	10 641	4 210	413 033
h) depreciation for the period (due to)		17 692	33 267	1 040	1 013	53 012
- depreciation included in costs		17 704	33 422	1 109	1 016	53 251
- reduction due to sale				69		69
- reduction due to liquidation		12	155		3	170
- reduction due to inventory shortages						
- reduction due to contribution						
i) accumulated depreciation (amortization) at the end of the period		329 838	400 327	20 617	8 524	759 306
write-offs for permanent loss of value, at the beginning of the period						
- increase						
- decrease						
write-offs for permanent loss of value, at the end of the period						
j) net value of fixed assets at the end of the period	22 866	607 318	897 164	29 182	8 225	1 564 755

NOTE 2c – BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)	thousand x PLN	
	2013	2012
a) own assets	1 557 423	894 035
b) assets used under rental, lease, tenancy or other types of agreements, including leasing agreement, including:	7 332	1 331
- leasing agreement	7 332	1 331
Total balance sheet fixed assets	1 564 755	895 366

The position 'tangible fixed assets', includes technical equipment and machinery and means of transport which are subject to financial leasing. The Company, as the benefiting leaseholder, defined the basic accounting principles referring to leasing in section 3 of Additional and Explanatory Information.
The initial value of the objects of leasing amounts to PLN 11,278 thousand, subject to the depreciation of PLN 3,946 thousand, and the net value as of the balance sheet day is PLN 7,332 thousand. The liabilities in respect of the leasing amount to PLN 4,674 thousand, including: long-term ones PLN 2,385 thousand, and short-term ones PLN 2,289 thousand.

NOTE 3a – LONG-TERM INVESTMENT	thousand x PLN	
	2013	2012
1) investment properties	5 752	
2) long-term financial assets	48 206	306 125
a) stocks and shares	8 206	266 125
b) long-term loans	40 000	40 000
Long-term investment, total	53 958	306 125

NOTE 3b - CHANGE IN THE BALANCE OF LONG- TERM FINANCIAL ASSETS (BY GROUP TYPES)	thousand x PLN	
	2013	2012
a) balance at the beginning of the period	306 125	47 412
- shares	266 125	7 412
- loans granted	40 000	40 000
- other short-term financial assets		
b) increase (due to)		259 232
- contribution in kind		
- purchase of shares		259 232
- loan granting		
c) decrease (due to)	252 167	519
- loss of value of shares		
- sales of shares	252 167	519
d) balance at the end of the period	53 958	306 125

The purchase of stakes and shares concerns the acquisition from the State Treasury of 86,92% of shares held by ZGH "Bolesław" S.A. based in Bukowno for the amount of PLN 219 232 thousand, i.e. 10 961 600 shares, PLN 20 per share, and the purchaser's investment-related obligation, amounting to PLN 40 000 thousand.

NOTE 3c – ISSUER'S STOCKS OR SHARES IN SUBSIDIARY COMPANIES SUBJECT TO CONSOLIDATION

	thousand x PLN											
	a	b	c	d	e	f	g	h	i	j	k	l
No	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	nature of the relation (subsidiary, interdependent unit, associate, with specification of direct and indirect relations)	the applied method of consolidation/ equity valuation method, or indication that the unit is not subject to consolidation/ equity valuation method	date of take-over of control/ joint control/ obtaining a significant impact	the value of shares according to the cost of purchase	value adjustments (total)	book value of shares	percentage of capital held	share of the total number of votes at a general meeting	indication, other than those referred to in par. j) or k), bases for control/ joint control/ significant impact
1.	Stalprodukt-MB sp. z o.o.	Bochnia	Construction and maintenance of roads and highways	subsidiary	full consolidation	17.10.1997				100	100	
2.	Stalprodukt-Wamech sp. z o.o.	Bochnia	production of spare parts and repair services	subsidiary	full consolidation	05.12.1997				100	100	
3.	Stalprodukt-Centrostal sp. z o.o.	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997				100	100	
4.	Stalprodukt-Serwis sp. z o.o.	Bochnia	services of installation, repair and maintenance of machinery	subsidiary	full consolidation	29.12.1998				100	100	
5.	Stalprodukt-Zamość sp. z o.o.	Zamość	woodwork production and trade of metallurgical products	subsidiary	full consolidation	09.12.1997				100	100	
6.	Stalprodukt-Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000				100	100	
7.	STP Elbud sp. z o.o.	Kraków	manufacture of structures and galvanizing services	subsidiary	full consolidation	01.06.2005				100	100	
8.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008				51	51	
9.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012				100	100	
10.	ZGH "Bolesław" S.A.	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation of 1.01.2013	31.12.2012				86,92	86,92	

NOTA 3c' - UDZIAŁY LUB AKCJE ZGH "Bolesław" S.A. W JEDNOSTKACH PODPORZĄDKOWANYCH OBJĘTYCH KONSOLIDACJĄ												
	w tys. zł											
	a	b	c	d	e	f	g	h	i	j	k	l
Lp.	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	nature of the relation (subsidiary, interdependent unit, associate, with specification of direct and indirect relations)	the applied method of consolidation/ equity valuation method, or indication that the unit is not subject to consolidation/ equity valuation method	date of take-over of control/ joint control/ obtaining a significant impact	the value of shares according to the cost of purchase	value adjustme nts (total)	book value of shares	percentage of capital held	share of the total number of votes at a general meeting	indication, other than those referred to in par. j) or k), bases for control/ joint control/ significant impact
1.	BOLOIL S.A.	Bukowno	production of dolomite aggregates, zinc products	subsidiary	full consolidation	01.03.2004	2 413	-65	2 348	100	100	
2.	Bolsped Sp. z o.o.	Bukowno	transport- and equipment-reated services	subsidiary	full consolidation	01.03.2004	3 041	-1 264	1 777	100	100	
3.	Bolesław Recycyling Sp. z o.o.	Bukowno	zinciferous materials processing and utilization services	subsidiary	full consolidation	01.03.2004	12 259	-5 522	6 737	100	100	
4.	BOL-THERM Sp. z o.o.	Bukowno	Production and distribution of heat, alteration services,	subsidiary	full consolidation	01.03.2004	6 844	-4 776	2 068	100	100	
5.	Karo Sp. z o.o.	Bukowno	Detective- ,investigation- and security-related activities	subsidiary	full consolidation	01.03.2004	304		304	100	100	
6.	Huta Cynku Miasteczko Śląskie S.A.	Miasteczko Śląskie	Production and sales of zinc and lead and alloys of these metals	subsidiary	full consolidation		17 120		17 120	86,26%	86,26%	
7.	Gradir Montenegro d.o.o. Niksic	Novaka Ramowa	Excavation and production of zinc and lead concentrates	subsidiary	full consolidation		129 205	-100 981	28 224	99,46%	99,46%	
8.	Przedsiębiorstwo Robót Drogowych Olkusz Sp. z o.o.	Olkusz	Road construction and repairs	subsidiary company	full consolidation at the level of the Bolesław Capital Group	01.09.2010	7 786	-3 286	4 500	99,71%	99,71%	

NOTE 3d – ISSUER'S STOCKS OR SHARES IN SUBSIDIARY COMPANIES SUBJECT TO CONSOLIDATION																		
	thousand x PLN																	
	a	m							n			o			p	r	s	t
		Equity of the unit, including:							Liabilities and provisions for liabilities of the unit, including:			Receivables of the unit, including:						
						Other equity, including:												
No	name of entity		- share capital	- calledup share capital (negative value)	- supplementary capital		Previous years' profit (loss)	Net profit (loss)		-long-term liabilities	- short-term liabilities		- long-term receivables	- short-term receivables	Assets of the entity, total	Revenues from sale	value of the shares in the unit not paid by the issuer	dividends received or receivable from the unit for the last financial year
1.	Stalprodukt-MB sp. z o.o.	4 797	2 604			2 193		279	586		586	1 845		1 845	5 383	4 560		
2.	Stalprodukt-Wamech sp. z o.o.	9 256	1 200			8 056		222	1 647		1 647	2 899		2 899	10 933	14 132		
3.	Stalprodukt-Centrostal sp. z o.o.	12 897	10 797			2 100	-5 232	-4 743	95 986		95 735	59 370		59 370	108 883	428 193		
4.	Stalprodukt-Serwis sp. z o.o.	3 545	900			2 644		400	3 851	88	3 365	3 807		3 807	7 395	23 653		
5.	Stalprodukt-Zamość sp. z o.o.	18 057	2 450			15 607		299	5 486	110	5 247	4 711		4 711	23 543	43 761		
6.	Stalprodukt-Ochrona sp. z o.o.	1 533	600			933		35	522		522	695		695	2 055	4 277		
7.	STP-Elbud sp. z o.o.	53 644	20 613		30 830	2 202		84	9 801		9 361	25 872		25 872	63 445	105 214		
8.	Cynk-Mal S.A.	24 726	20 191		22 496	-17 961		12	49 621	753	44 413	6 328		6 328	74 347	50 759		
9.	Anew Institute sp. z o.o.	4 187	4 522		76	-412	266	-697	2 489		256	2 492		2 492	6 678	1 238		
10.	ZGH "Bolesław" S.A.	708 112	126 116		312 342	269 652	11 695	41 408	460 638	56 694	217 516	176 107	257	175 850	1 196 801	1 396 730		

NOTE 3e - Shares in other entities					
	thousand x PLN				
	a	b	c	d	e
	Name (company) of the entity, indicating its legal form	Seat	Object of the enterprise	Book value of shares	Percentage of capital held
1.	Stalprodukt-Profil S.A.	Bochnia	trade in steel products	80	16,00
2.	StalNet sp. z o.o.	Kraków	online trade	39	19,50
3.	STP Investment S.A.	Bochnia	financial activities	5 821	13,80
4.	Other			472	

The item "Other" features (KGHM) unrestricted shares, quoted on the Warsaw Stock Exchange, held by the Wamech company and stocks (interests) in Polska Technika Zabezpieczeń, held by the Stalprodukt-Zamość company.
Apart from the KGHM shares, all the other stocks (interests) and shares are not stock exchange-quoted and are unrestricted in respect of transfer.
Item 3 concerns the Stalprodukt-Centrostal subsidiary company's stocks (interests) in STP Investment SA.
All the stocks (interests) expressed in PLN.

NOTE 4 - Change in assets due to deferred income tax	thousand x PLN	
	2013	2012
1. Balance of assets due to deferred income tax, at the beginning of the period, including:	1 899	1 563
a. attributed to the financial result	1 899	1 563
b. attributed to equity		
2. Increases	685	413
a. attributed to financial result of the period in respect of deductible temporary differences (due to)	685	413
- appearance of temporary differences	685	413
b) attributed to equity in respect of negative temporary differences (due to)		
3. Decreases	1 161	77
a) attributed to financial result of the period in respect of negative temporary differences (due to)	1 161	77
- reversal of temporary differences		77
- changes of tax rate		
b) attributed to equity in respect of negative temporary differences (due to)		
4. Increases due to consolidation	15 023	
5. Balance of assets due to deferred income tax, at the end of the period, including:	16 446	1 899
a) attributed to the financial result	14 843	1 899
b) attributed to equity	1 603	

NOTE 5 - Inventory	thousand x PLN	
	2013	2012
a) materials	266 926	154 035
b) semi-finished products and work in progress	85 717	42 040
c) finished products	106 120	124 309
d) goods	47 869	7 918
e) advances for deliveries		
Inventory, total	506 632	328 302

As at the balance sheet date, the following charges of inventory apply:
- regarding materials – a registered pledge agreement to the amount of 30,000 thousand PLN for the benefit of Nordea Bank Polska S.A. and up to 20,000 thousand PLN for BNP Paribas S.A. and up to 15 000 thousand PLN for Bank Handlowy S.A. and up to 30,000 thousand PLN for Bank BP S.A. and up to 25 000 thousand PLN for Bank Pekao S.A. due to protection of the granted credit limits,
- in relation to the Stalprodukt-Centrostal company goods – registered pledge amounting to total PLN 35,000 thousand acting as the legal security for the overdraft on current account granted by the Nordea Bank SA.

During the reporting period write-down sue to impairment of value was made on finished products to the net realizable value. The value of the write-down amounted to 905 thousand PLN. Advances for deliveries demonstrated in receivables for deliveries and services. The value of advances for deliveries as at 31.12.2012 amounts to 52 thousand PLN.

NOTE 6a - Short-term receivables	thousand x PLN	
	2013	2012
a/ trade receivables, maturing:	365 271	248 465
- up to 12 months	365 271	248 465
- above 12 months		
b/ receivables from tax, subsidy, customs, social security and other benefits	32 935	39 322
c/ claimed at court		
d/ other	11 747	5 887
Net short-term receivables, total	409 953	293 674
- write-downs of receivables	23 001	9 017
Gross short-term receivables, total	432 954	302 691

As at the balance sheet date applies the Stalprodukt-Serwis receivables in the amount of PLN 1,000 thousand acting as the security for the overdraft limit on the current account incurred at the Bank PKO BP S.A.

As at 31.12.2012 also the undetermined amount the silent cession of claims is valid from 11 customers, as security for a limit on guarantees and letters of credit in Bank Handlowy S.A. as well as silent assignment duties in the amount of 10,000 thousand PLN, which constitutes security of the limit for guarantees and letters of credit in BNP Paribas S.A.

NOTE 6b - Change in short-term receivables write-down	thousand x PLN	
	2013	2012
Balance at the beginning of the period	9 017	5 942
a) increase (due to)	20 602	7 384
- provision for doubtful receivables	4 671	7 384
- inclusion of the ZGH capital Group into consolidation	15 931	
b) decrease (due to)	6 618	4 309
- cancellation	2 074	2 288
- release of provision (reserve) for doubtful receivables	64	40
- adjustment	1	4
-payment	4 479	1 977
Balance of short-term receivables write-downs at the end of the period	23 001	9 017

NOTE 6c - Gross short-term receivables (currency structure)	thousand x PLN	
	2013	2012
a) in Polish currency	248 519	183 612
b) in foreign currencies (according to currencies converted into PLN)	184 435	119 079
b.1 in EURO	18 320	17 436
converted into PLN	76 600	71 575
b.2 in USD	35 414	15 057
converted into PLN	107 835	47 504
other currencies in thousands PLN		
Short-term receivables, total	432 954	302 691

NOTA 6d - Trade receivables (gross) – maturing as at the balance day:	thousand x PLN	
	2013	2012
a) up to 1 month	177 832	131 170
b) above 1 month up to 3 months	66 045	62 429
c) above 3 months up to 6 months	2 971	
d) above 6 months up to 1 year	3 849	
e) above 1 year	4 494	
f) overdue receivables	133 081	63 883
Trade receivables, total (gross)	388 272	257 482
g) trade receivables write-downs	23 001	9 017
Trade receivables, total (net)	365 271	248 465

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

NOTE 6e - Trade receivables, overdue (gross) – divided into unpaid receivables within the period:	**thousand x PLN**	
	2013	**2012**
a) up to 1 month	75 433	39 053
b) above 1 month up to 3 months	20 032	13 084
c) above 3 months up to 6 months	7 965	3 488
d) above 6 months up to 1 year	6 415	1 807
e) above 1 year	23 236	6 451
Trade receivables, total (gross)	133 081	63 883
f) trade receivables write-downs	23 001	9 017
Trade receivables, total (net)	110 080	54 866

NOTE 6f - Disputable and overdue receivables

The total amount of gross short-term receivables, i.e. 432,954 thousand PLN, overdue receivables amount to 133,081 thousand PLN. Disputable overdue receivables did not occur. Overdue receivables only apply to trade receivables. Out of the overdue receivables, only the amount of 23,001 thousand PLN was covered by write-downs. The remaining receivables were not subject to write-downs due to the fact that are justified by the strategy and marketing policies of the parent company and secured by bank guarantees and promissory notes.

NOTE 7a - Short-term investments	**thousand x PLN**	
	2013	**2012**
a) cash	111 753	77 487
- cash in hand and at bank	86 056	77 487
- other cash	25 697	
b) loans		25
c) other short-term investments	40 636	
Short-term investments, total	152 389	77 512

NOTE 7b - Cash and equivalents (currency structure)	**thousand x PLN**	
	2013	**2012**
a) in Polish currency	67 771	52 121
b) in foreign currencies (according to currencies converted into PLN)	43 982	25 366
b.1. in Euro	6 648	3 934
converted into thousand PLN	27 623	16 080
b.2. in USD	5 398	3 008
converted into thousand PLN	16 359	9 286
other currencies in thousand PLN		
Cash and other pecuniary assets, total	111 753	77 487

Cash and cash equivalents are invested in secure financial instruments, such as short-term deposits with a term up to 30 days. These deposits are not at risk and ensure the availability of financial resources. The interest rate on deposits negotiated each time, forms significantly above the standard interest rate of deposits. As of the balance sheet day, funds were placed on overnight deposits.

NOTE 8 - Short-term accruals	thousand x PLN	
	2013	2012
a) active cost accruals, including:	9 338	6 538
- costs of insurance and subscription	3 241	285
- staged repairs	4 963	5 852
- costs of fair organized in 2014	48	72
- other	1 086	329
b) other accruals, including:		
Short-term accruals, total	9 338	6 538

Write-offs

Asset write-offs due to impairment of value refer to short-term receivables and stocks of finished products. The total value of write-offs as at the balance sheet date amounts to 23,906 thousand PLN, including those concerning receivables of 23,001 thousand PLN and finished products of 905 thousand PLN.

During the reporting period there was made a write-off in the amount of 905 thousand PLN in scope of inventories of finished products and a write-off from the previous year was dissolved in the amount of 506 thousand PLN, in connection with sale of the products covered by the write-off. Write-off due to impairment of doubtful receivables was made in the amount of 4,671 thousand PLN and a part of the previous write-downs in the amount of 6,618 thousand PLN, in connection with payment of receivables, cancellation and adjustments.

NOTE 9 - Share capital of the parent company (structure)

thousand x PLN

Series/issue	Type of shares	Share preference type	Type of limitation of rights to shares	Number of shares	Value of a series/issue according to nominal value	Manner of capital coverage	Registration date	The right to dividend (since)
A	preference registered shares	5 votes at the General Shareholders' Meeting and the distribution of assets		128 180	256 360	cash	3.07.1991	1.07.1992
A	registered shares without preference	Non-preference		1 820	3 640	cash	3.07.1991	1.07.1992
B	preference registered shares	5 votes at the General Shareholders' Meeting and the distribution of assets		505 490	1 010 980	cash	16.11.1993	1.01.1994
B	registered shares without preference	Non-preference		14 510	29 020	cash	16.11.1993	1.01.1994
C	ordinary bearer shares	Non-preference		780 000	1 560 000	cash	20.10.1994	1.01.1995
D	ordinary bearer shares	Non-preference		780 000	1 560 000	cash	20.10.1994	1.01.1995
E	preference registered shares	5 votes at the General Shareholders' Meeting and the distribution of assets		2 165 630	4 331 260	cash	30.09.1996	1.01.1996
E	registered shares without preference	Non-preference		44 370	88 740	cash	30.09.1996	1.01.1996
F	ordinary bearer shares	Non-preference		1 105 000	2 210 000	cash	17.12.1996	1.01.1997
G	ordinary bearer shares	Non-preference		1 200 000	2 400 000	cash	13.05.1997	1.01.1997
Number of shares, total				6 725 000				
Share capital, total					13 450 000			
Nominal value of one share (in PLN)		2,00						

Preference of the property means that in the event of liquidation of the Company, the assets remaining after satisfaction of creditors shall be paid first in a nominal amount for all shares, and the rest is divided evenly on the preference shares.
During the reporting period changes in the overall amount of the share capital did not occur.

As at the balance sheet date, shareholders holding at least 5% of the total number of votes at the General Shareholders' Meeting are:
- ArcelorMittal Poland S.A. holding 2,270,800 shares representing 33.77% of the capital and 6,846,800 votes, representing 38.20% of the total number of votes at the General Shareholders' Meeting,
- STP Investment S.A. holding 1,959,725 shares, representing 29.14% of the capital and 5,899,941 votes, representing 32.92% of the total votes at the General Shareholders' Meeting,
- Stalprodukt Profil S.A. holding 619,065 shares, representing 9.21% of the share capital and 943,499 votes, representing 5.26% of total votes at the General Shareholders' Meeting.

Shares of the Issuer owned by subsidiaries: Stalprodukt-Centrostal Sp. z o.o. 45 pcs. of shares with the purchase price and the carrying amount of 1 thousand PLN.

NOTE 10 - Own shares
The indicated amount of (PLN -140 thousand) is related to the registered shares purchased by the Issuer in the reporting period in the number of 69,733 items, at the price PLN 384 per item and 45 shares acquired by the Stalprodukt-Centrostal subsidiary company at the price PLN 22. In the balance sheet 'own shares' were quoted at the nominal price of PLN 2,00 /item. The negative difference between the nominal value and the purchase price was referred to reserve capital.

NOTE 11– Supplementary capital	thousand x PLN	
	31.12.2013	31.12.2012
a) from sale of shares above their nominal value	35 054	35 054
b) statutorily created	646	646
c) created in accordance with the statute / articles of association, above the statutorily required (minimum) value	19 611	19 611
d) from subsidies of the shareholders / partners		
e) other (by type)	64 724	67 729
- from revaluation of fixed assets	285	285
- from liquidation and revaluation of fixed assets	181	181
- from sale of shares	148	148
- negative difference between the nominal value and purchase price of own shares	-26 638	-26 638
- retained profit	60 510	60 510
- retained profit (loss)	30 238	33 243
Supplementary capital, total	120 035	123 040

Supplementary capital is mandatory created in the company (by law). According to the Code of Commercial Companies, the company must allocate to the reserve capital at least 8% of annual net profit until the capital reaches 1/3 of share capital. Supplementary capital is increased by the excess over the issue of shares above their nominal value and the difference from the revaluation of fixed assets, which have been liquidated or sold.

The amounts resulting from the subsidiary companies profit distribution are also transferred to the supplementary capital, pursuant to the Resolutions pf the Shareholders' Meeting (subpar. c). Supplementary capital also includes profit from previous years in the amount of 33,998 thousand PLN, referring to negative goodwill from previous years and settled in accordance with IFRS, as well as retained profits on revaluation of fixed assets and the right of perpetual usufruct of land, made on the date of transition to IFRS.

NOTE 12 – Revaluation reserve	thousand x PLN	
	31.12.2013	31.12.2012
a) from revaluation of fixed assets	4 521	5 612
b) due to profit / loss on revaluation of financial instruments, including		
- from revaluation of hedging instruments		
c) other (by type)		
- from revaluation of the right of perpetual usufruct		
Revaluation reserve, total	4 521	5 612

NOTE 13 – Other reserve capitals (by appropriation)	thousand x PLN	
	31.12.2013	31.12.2012
- reserve capital for investments	1 363 764	1 307 567
- reserve capital for financing of current assets	12 145	12 145
- other reserve capital	58 276	52 656
Revaluation reserve, total	1 434 185	1 372 368

Other capital reserves are formed from the profit, whose distribution is determined by the General Meeting of Shareholders at the parent company and General Meetings of Shareholders at subsidiary companies.
These capital reserves serve to finance the current assets and cover the potential loss. The use of these reserves is determined by the General Meeting of Shareholders or Meeting of Shareholders.

NOTE 14 – CHANGE IN MINORITY INTEREST	thousand x PLN	
	2013	2012
Balance at the beginning of the period	12 107	16 365
a) increases (due to)	115 991	-4 258
- inclusion of the ZGH capital Group into consolidation	111 299	
- taking over 100 % shares in the Stalprodukt-Warszawa company		-917
- profit distribution	4 692	-3 341
b) decrease (due to)	-400	
- dividend payment		
- exclusion the Stalprodukt-Warszawa Company under liquidation from consolidation	-400	
Minority interest status at the end of reporting period	128 498	12 107

NOTE 15a - CHANGE IN THE BALANCE OF RESERVE FOR DEFERRED INCOME TAX	thousand x PLN	
	2013	2012
1. The balance of deferred income tax, at the beginning of the period, including:	15 117	9 740
a) attributed to financial result		
- for investment allowance		
b) attributed to equity	15 117	9 740
- in respect of differences between the balance sheet depreciation and tax depreciation	15 117	9 740
- for revaluation of fixed assets		
2. Increases	34 062	5 377
a) increased differences between the depreciation entered in the balance sheet and tax depreciation	6 618	5 377
b) inclusion in consolidation Capital Group ZGH "Bolesław"	27 444	
3. Decreases		
a) attributed to the financial result due to positive temporary differences (due to)		
- reversal of temporary differences (use of reserves for deferred income tax)		
b) attributed to the financial result due to positive temporary differences (due to)		
- difference between balance and taxable amortization		
4. Balance of reserve at the end of the period, total	49 179	15 117
a) attributed to the financial result	18 180	
b) attributed to equity	30 999	15 117
- for differences between the depreciation entered in the balance sheet and tax depreciation	30 999	15 117

NOTE 15b - Change of the balance of other long-term reserves	thousand x PLN	
	2013	2012
a) balance at the beginning of the period	4 266	4 530
-		
b) increases (due to)	139 288	1 041
- provision for retirement benefits	2 086	1 041
- forming a provision for a sludge pond reclamation	55	
- inclusion in consolidation Capital Group ZGH "Bolesław"	137 147	
c) dissolution (due to)	2 394	1 305
- transfer to a short-term reserve	2 333	1 163
- paid retirement benefits		
- decrease of a reserve	61	142
d) balance at the end of the period	141 160	4 266

NOTE 15 c - CHANGE IN OTHER SHORT-TERM RESERVES (BY TITLE)	thousand x PLN	
	2013	2012
a) balance at the beginning of the period	1 527	1 694
b) increases (due to)	24 169	1 433
- transfer from long-term reserves to short-term ones	2 333	1 163
- formation of reserves for future liabilities		235
- formation of reserves for retirement severance pays		35
- inclusion in consolidation Capital Group ZGH "Bolesław"	21 836	
c) utilized (in respect of)		
- alterations and repairs		
d) dissolution (due to)	2 557	1 600
- paid retirement benefits	2 333	1 262
- other	224	338
e) balance at the end of the period	23 139	1 527

NOTE 16a - Long-term liabilities	thousand x PLN	
	2013	2012
a/ credits and loans	90 010	120 831
b/ in respect of issued debt securities		
c/ other financial liabilities, including:	42 258	589
- liabilities in respect of the ZGH purchase agreement	40 000	
- financial lease agreements	2 258	589
- factoring agreement		
d/ other (according to type)	25 377	
- system	18 340	
- geological information fee	7 037	
- contingent liabilities due to the purchase of ZGH	296 115	
Long-term liabilities, total	453 760	121 420

The contingent liabilities in respect of the ZGH purchase are connected with the risks recognized at the Company's take-over stage. The estimated values were accepted for the clearance of the purchase price. The amount of PLN 296 115 thousand arises from the verification of the purchase price. The exact data have been presented in point 11 of the Additional and Explanatory Information Sheet - Clearance of the ZGH „Bolesław" S.A. purchase price.

NOTE 16b - Long-term liabilities, maturing as at the balance sheet date	thousand x PLN	
	2013	2012
a) above 1 year to 3 years	112 850	121 420
b)above 3 to 5 years	36 302	
c) above 5 years	8 493	
d) contingent liabilities due to the purchase of ZGH	296 115	
Long-term liabilities, total	453 760	121 420

NOTE 16c - Long-term liabilities (currency structure)	thousand x PLN	
	2013	2012
a) in Polish currency	452 935	121 420
b) in foreign currency (by currency and converted into PLN)	825	
b.1. in EUR	199	
converted into PLN	825	
b2. in USD		
converted into PLN		
other currency in thousand PLN		
Long-term liabilities, total	453 760	121 420

NOTE 16d - LONG-TERM LIABILITIES FOR CREDITS AND LOANS													
thousand x PLN													
		The amount of credit/loan according to the agreement				The amount of credit/loan remaining for repayment							
Name (company) of the unit, indicating its legal form	Seat	in thousand PLN	in currency	unit	currency	in thousand PLN	in currency	unit	currency	Interests	Term of repayment	Collaterals	Other
Bank Śląski	Warszawa	2 850		in thousand	PLN	529		in thousand	PLN	WIBOR + margin	02.09.2016	bail mortgage on real estate and registered pledge on equipment	Cynk-Mal S.A. long-term credit
Bank PKO PB SA	Warszawa	100 000		in thousand	PLN	80 000		in thousand	PLN	WIBOR + margin	31.12.2017	joint mortgage up to the amount of PLN 150 000 thousand placed on the real estate situated at Wadowicka Street in Kraków	Total credit amount of PLN 80 000 thousand, including PLN 20 000 thousand – a credit with an annual repayment period
NFOŚ i GW	Warszawa	45 114	PLN	in thousand	PLN	7 140	PLN	in thousand		0.5 bill rediscount rate	30.06.2016	Irrevocable power of attorney in favour of the National Fund for Environmental Protection and Water Management to dispose of the funds deposited on the account along with the obligation to provide inflow of funds to the above mentioned account in the amount not lower than PLN 2 million. Assignment of obligations/liabilities from the sales agreement BF/33/04 concluded with ZGH "Bolesław" S.A. Assignment of rights from insurance policies against fire and contingent events concluded in respect of trasferred fixed assets.. The transfer of fixed assets, purchased within the investment project, up to the amount corresponding to the loan amount. Contingent liability amounting to PLN 11 278 thousand , which accounts for 25 % of the loan value.	
NFOŚ i GW	Warszawa	28 082	PLN	in thousand	PLN	20 749	PLN	in thousand		3,50 % per year	30.09.2020	Promissory note endorsed by ZGH "Bolesław" S.A.	
Hipotekarna Banka	Nikšić	3 500	EUR	in thousand	EUR	825	PLN	in thousand		8,54	01.01.2015	Shares of ZGH "Bolesław" S.A.+ Veselin Pejović assets, bills of exchange	The outstanding amount was included in the long-term liabilities: PLN 825thousand whereas the amount of PLN 8 008 thousand in short-term liabilities
Millennium Leasing Sp. z o. o.	Warszawa	1 649	PLN	in thousand	PLN	767	PLN	in thousand		WIBOR + margin	31.12.2016	Blank bill of exchange	

NOTE 17a - Short-term liabilities	thousand x PLN	
	2013	2012
a) credits and loans, including:	95 043	56 916
- long-term, maturing	30 963	20 000
b/ in respect of issued debt securities		
c) due to dividend		
d) other financial liabilities, including:	9 722	272
- leasing	2 360	272
- purchase of enterprise	6 114	
- purchase of options	1 248	
e) trade liabilities, maturing:	367 593	268 763
- up to 12 months	367 593	268 763
- over 12 months		
f) received advances for deliveries	4 774	988
g) tax, customs, insurance and other liabilities	35 044	12 001
h) payroll	18 918	8 082
i) other (by title)	33 341	9 036
-social fund	7 789	6 615
- PKZP	1 206	553
- PZU	1 064	152
- mining plant liquidation fund	11 582	
- other	11 700	1 716
Short-term liabilities, total	564 435	356 058

NOTE 17b - Short-term liabilities (currency structure)	thousand x PLN	
	2013	2012
a) in Polish currency	429 393	266 061
b) in foreign currency (by currency and converted into PLN)	135 042	89 997
b.1. in EUR	18 905	21 791
converted into PLN	78 760	89 555
b.2. In USD	18 332	147
converted into PLN	56 282	442
other currency in thousand PLN		
Short-term liabilities, total	564 435	356 058

NOTE 17c - SHORT-TERM LIABILITIES FOR CREDITS AND LOANS													
thousand x PLN													
		The amount of credit limit/loan according to the agreement				The amount of credit/loan remaining for repayment							
Name (company) of the unit, indicating its legal form	seat	in thousand PLN	in currency	unit	currency	in thousand PLN	in currency	unit	currency	Interests	Term of repayment	Collaterals	Other
Bank PeKaO S.A.	Kraków	75 000		in thousand	PLN	24 718		in thousand	PLN	Wibor+margin	September 2014	pledge on (raw) material inventories	limit for guarantees and letters of credit
Bank Nordea Polska S.A.	Gdynia	40 000		in thousand	PLN			in thousand		Wibor+margin	August 2014	registered pledge on material inventories, assignment of insurance policy rights, blank bill of exchange	credit limit of PLN 40,000 thousand and PLN 20,000 for guarantees and letters of credit
Bank Nordea Polska S.A.	Gdynia	20 000		in thousand	PLN	18 848		in thousand	PLN	Wibor+margin	July 2014	blank bill of exchange, pledge on (raw) material inventories	overdraft limit in the current account Stalprodukt-Centrostal
Bank Handlowy S.A.	Warszawa	65 000		in thousand	PLN	0		in thousand	PLN	Wibor+margin	Januray 2015r for the credit and short-term guarantees, July 2014 for long-term guarantees	pledge on (raw) material inventories, assignment of receivables	Credit limit in the current account, short-term guarantees and letters of credit amounting to PLN 40.000 thousand. Limit for long-term guarantees PLN 25.000 thousand.
Bank PKO BP S.A.	Warszawa	50 000		in thousand	PLN	0				Wibor+margin	December 2014	blank bill of exchange	Limit for guarantees and letters of credit PLN 20.000 thousand overdraft in the current account PLN 30,000 thousand
BNP Paribas S.A.	Kraków	50 000		in thousand	PLN	0				Wibor+margin	October 2014	blank bill of exchange, assignment of receivables and pledge on (raw) material inventories	overdraft limit in the current account – guarantees and letters of credit
Bank PKO BP S.A.	Bochnia	1 000		in thousand	PLN	0		in thousand	PLN	Wibor+margin	October 2014	blank bill of exchange, assignment of receivables	credit in the current account Stalprodukt-Serwis
Bank PKO BP S.A.	Warszawa			in thousand	PLN	20 000				Wibor+margin			A long-term credit with the annual repayment period
ING Bank Śląski S.A.	Warszawa	2 850		in thousand	PLN	302		in thousand	PLN	Wibor+margin	September 2016	Mortgage and assignment of insurance policy rights, assignment of receivables	A long-term credit of the Cynk-Mal company with the annual repayment period

PKO BP S.A.				in thousand		4		in thousand	PLN				the Anew Institute Sp. z o.o. credit cards account
NFOŚ i GW	Warszawa	45 114	PLN	in thousand	PLN	4 760	PLN	in thousand	PLN	0.5 of the bill redicount rate	30.06.2016	Pow er of attorney for the account, assignement of the receivables from the sales agreeement BF/33/04, assignment of rights from the insurance policies issued for fixed assets, transfer of the fixed assets ow nership title in the amount corresponding to the loan amount. Contingent liability in the amount of PLN 11 278 500,00 (in PLN thousand 11 278.5) w hich accounts for 25 % of the loan value.	
NFOŚ i GW	Warszawa	28 082	PLN	in thousand	PLN	3 667	PLN	in thousand	PLN	3,50 % per year	30.09.2020	promissory note guaranteed by ZGH Bolesław S.A.	
Getin Noble Bank S.A	Warszawa	5 000	N, USD, EUR	in thousand		510	PLN	in thousand	PLN	Wibor, Euribor, Libor 1M + margin	13.11.2014	Mortgage plus the assignment of rights arising from the insurance policy, assignment of commercial contracts plus assignment of rights arising from insurance policy, blank promissory note plus promissory note declaration	
Credit Agricole Bank Polska S	Wroclaw	10 000	N, USD, EUR	in thousand		621	PLN	in thousand	PLN	Wibor, Euribor, Libor 1M + margin	29.09.2014	Assignment of receivables from contracts, cesja praw z polisy ubezpieczeniow ej	
PKO BP SA	Warszawa	10 000	N, USD, EUR	in thousand		2 395	PLN	in thousand	PLN	Wibor, Euribor, Libor 1M + margin	26.11.2014	Blank promissory note plus blank promissory note agreement, court registered pledge on raw materials inventory, assignment of insurance policy on raw material inventories	
Bank Pekao S.A.	Warszawa	15 000	N, USD, EUR	in thousand		-	PLN	in thousand	PLN	Wibor, Euribor, Libor 1M + margin	30.09.2014	Court registered pledge on finished products and w ork in progress, assignment of contractual receivables	
ING Bank Śląski S.A.	Katowice	30 000	N, USD, EUR	in thousand		9 432	PLN	in thousand	PLN	Wibor, Euribor, Libor 1M + margin	31.10.2014 w ith an option of automatic extention to the nex period	Mortgage plus assignment of rights arising from insurance policy, assignment of ccesja ommercial contracts plus assignment of rights arising from insurance policy	
Hipotekarna Banka	Niksić	500	EUR	in thousand		1 777	PLN	in thousand	PLN	8,95	01.01.15	shares belonging to ZGH Bolesław S.A.+ Veselin Pejović assets, bills of exchange	
Hipotekarna Banka	Niksić	3 500	EUR	in thousand		8 008	PLN	in thousand	PLN	8,54	01.01.15	shares belonging to ZGH Bolesław S.A.+ Veselin Pejović assets, bills of exchange	

NOTE 18 - Accruals	thousand x PLN	
	2013	2012
a) disclosed deferred income	987	274
- long-term (by titles)	499	
-subsidy EKOFUNDUSZ	499	
- short-term (by titles)	488	274
- subsidy EKOFUNDUSZ	429	
- provision for fixed assets liquidation costs	59	274
b) deferred income	3 424	434
- long-term (by titles)	491	84
- National Fund for Environmental Protection and Water Management loan write-off	197	
- perpetual usufruct of land	207	
- subsidy from the disabled persons fund	87	84
- short-term (by titles)	2 933	350
- subsidy from the disabled persons fund		24
- received advances	245	326
- subsidy NCBiR	2 218	
- subsidy NFOś	470	
Other accruals, total	4411	708

NOTE 19 - Book value per 1 share

The book value per 1 ordinary share was calculated as the ratio of equity to the number of shares (1,756,328 thousand PLN: 6,725,000 shares = 261.16 PLN).

NOTE 20 a - NET INCOME FROM SALES OF PRODUCTS (MATERIAL STRUCTURE-TYPES OF ACTIVITIES)	thousand x PLN	
	2013	2012
- transformer sheets	376 191	535 589
- toroidal cores	10 481	9 394
- steel sheets, hot-rolled and cold-rolled strips	151 766	218 980
- cold formed profiles	549 405	605 519
- road barriers	111 206	203 183
- steel structures, including door and door frames	76 740	68 602
- galvanized banding steel and galvanized wire	40 974	39 243
-zinc	735 439	
- alloys	222 882	
- flotation galena	96 229	
- suplhuric acid	23 187	
- dolomite	23 397	
- Zn-Pb-Ag concentrate	16 310	
- refined lead	114 816	
- Dore metal	60 029	
- services	25 990	19 696
Net revenues from sales of products, total	2 635 042	1 700 206

NOTE 20b - NET INCOME FROM SALES OF PRODUCTS (TERRITORIAL STRUCTURE)	thousand x PLN	
	2013	2012
a) country	1 394 128	929 624
- transformer sheets	14 492	43 676
- toroidal cores	5 135	4 571
- steel sheets, hot-rolled and cold-rolled strips	128 415	181 218
- cold formed profiles	360 985	393 483
- road barriers	100 585	194 765
- steel structures, including door and door frames	75 572	67 938
- galvanized banding steel and galvanized wire	25 548	24 308
- zinc	332 737	
- alloys	189 925	
- suplhuric acid	13 520	
- dolomite	23 397	
- refined lead	102 637	
- services	21 180	19 665
b) export	1 240 914	770 582
- transformer sheets	361 699	491 913
- toroidal cores	5 346	4 823

- steel sheets and hot- and cold-rolled strips	23 351	37 762
- cold formed profiles	188 420	212 036
- road barriers	10 621	8 418
- steel structures, including door and door frames	1 168	664
- galvanized banding steel and galvanized wire	15 426	14 935
- zinc	402 702	
- alloys	32 957	
- flotation galena	96 229	
- suplhuric acid	9 666	
- Zn-Pb-Ag concentrate	16 310	
- refined lead	12 180	
- Dore metal	60 029	
- services	4 810	31
Net income from sales of products, total	2 635 042	1 700 206

NOTE 21a -Net revenues from sales of goods and materials (material structure – types of activities)	**thousand x PLN**	
	2013	**2012**
- goods	117 940	78 412
- technological waste	23 664	28 871
- other materials	29 877	1 228
Net revenues from sales of goods and materials, total	171 481	108 511

NOTE 21b - Net revenues from sales of goods and materials (TERRITORIAL STRUCTURE)	**thousand x PLN**	
	2013	**2012**
a) country	162 500	108 511
- goods	117 940	78 412
- technological waste	23 664	28 871
- other materials	20 896	1 228
b) export	8 981	
- goods		
- technological waste	8 981	
Net revenues from sales of goods and materials, total	171 481	108 511

NOTE 22 - Costs by type – cost of manufacture of products sold	thousand x PLN	
	2013	2012
a) amortization	128 895	53 989
b) consumption of materials and energy	1 783 841	1 256 020
c) external services	188 208	86 602
d) taxes and fees	55 195	17 110
e) payroll	334 586	151 910
f) social insurance and other benefits	90 430	35 550
g)other costs by type (due to)	11 350	4 739
- business trips	2 599	1 538
- property insurance	4 199	923
- representation and advertising	2 638	1 029
- trainings	1 145	368
- other	769	881
h) balance of exchange differences arising from settlements, provisions against retirement allowances, finished products price reduction	867	7 127
- balance of exchange differences arising from settlements	381	6 834
- balance of provisions against retirement allowances	-343	-213
- provisions for loss of value of finished products	829	506
Costs by type, total	2 593 372	1 613 047
Change in stocks, products and accruals	6 481	18 279
Cost of manufacture of goods produced for own purposes (negative value)		
Selling costs (negative value)	-74 439	-68 386
General and administrative costs	-121 810	-69 601
Cost of manufacture of products sold	2 403 604	1 493 339

NOTE 23 - Other operating revenues	thousand x PLN	
	2013	2012
a) profit from transfer of non-financial fixed assets		
b) reversed provisions (due to)	14 002	1 973
- doubtful receivables	312	781
- retirement benefits	2 333	1 192
- coal allowance compensation	939	
- mining plant liquidation	9 840	
- revaluation of inventories	578	
c) other, including:	6 378	3 472
- payment of adjudicated court fees	84	151
- revenues due to not collected payroll		187
- refund from the State Fund for Rehabilitation of the Disabled	128	123
- received compensation	1 348	1 400
- value of liabilities’ write-off		385
- surplus in working capital	192	305
-lease revnues	1 898	
-reconciliation the company's negative goodwill	1 768	

-other	960	921
d) subsidies	1 178	
e) profit from the ZGH bargain purchase	28 821	
Other operating revenues, total	50 379	5 445

NOTE 24 - Other operating costs	thousand x PLN	
	2013	2012
a) loss from transfer of non-financial fixed assets	68	
b) revaluation of non-financial assets	1872	505
c) reserves (due to)	3 605	3 023
- doubtful receivables	894	2 103
- retirement benefits	2 256	920
-landfill reclamation	55	
-compensations/damages	400	
d) other, including:	6 680	3 617
- donations	417	60
- costs of court proceedings	223	543
- penalties, fines, compensations	95	284
- shortages in financial resources	966	192
- value of receivables written off		
- fixed assets liquidation costs	227	165
- ineffective investment write-off		
- costs of road barrier tests	936	1 414
- lease costs	1 300	
- other	2 516	959
Other operating costs, total	12 225	7 145

NOTE 25 - Financial revenues	thousand x PLN	
	2013	2012
a) revenues due to interests	9 172	11 984
b) profit from transferred investments	7 756	
c) exchange rate differences (the excess of negative over positive)		
- realized		
- unrealized		
d) released provisions, due to	1 165	46
- interests	1 165	46
e) other, including:	12 505	321
- dividend received	8	24
- sales of assets		
- other	12 497	297
Financial revenues, total	30 598	12 351

NOTE 26 - Financial expenses	thousand x PLN	
	2013	2012
a) due to credits and loans	9 402	5 966
b) other interests	2 506	517
c) exchange rate differences (the excess of negative over positive)		
d) released provisions, due to	2 258	2 636
- accrued but not paid interests	2 258	2 636
e) other, including	332	1 025
- balance valuation of investments		450
-other	332	575
Financial expenses, total	14 498	10 144

NOTE 27 - Current and deferred income tax	thousand x PLN	
	2013	2012
1. Gross profit (loss)	96 819	77 396
2. Consolidation adjustments	10 355	
3. Differences between gross profit (loss) prior to income tax (by titles)	-49 359	-10 202
- companies' gross loss	11 574	12 774
- amortization of tangible and intangible deductible expenses	-30 441	-24 998
- donations and voluntary contributions	861	133
- provision for receivables	1 195	1 527
- release of provision for retirement benefits	-9 212	-1 060
- PFRON	3 963	1 490
- leasing instalment	-2 189	-126
- write-off from revaluation of inventories	905	506
- cost regarding provisions for retirement benefits	1 989	920
- deferred income costs		-508
- cash and accounts balance sheet valuation	4 572	
- social insurance for November and December '2012' and paid in January and February '2013'	-8 712	-3 584
- social insurance for November and December '2013' and paid in January and February '2014'	8 659	3 539
- costs of representation	994	116
- the value of disposed fixed assets from valuation		148
- dividends received	-9 529	
- profit from the ZGH bargain purchase	-28 821	
- other	4 833	-1 079
4. Taxable income	57 815	67 194
5. Income tax at the rate 19%	10 985	12 767
6. Tax increases, exemptions, deductions and abatements		
7. Current income tax disclosed in tax declaration for the period, including:	10 985	12 767
- disclosed in profit and loss account	19 374	17 307
8. Deferred income tax due to temporary differences	8 389	4 540

NOTE 28a - PROFIT (LOSS) NET	thousand x PLN	
	2013	2012
a) parent company net profit (loss)	9 938	67 785
b) subsidiary companies net profit (loss)	38 223	-7 955
c) consolidation adjustments	463	259
d) gain on a bargain purchase	28 821	
Profit (loss) net	77 445	60 089

NOTE 28 b - PROFIT SPLIT

Net profit for the financial year 2012 amounting to 67,784,700.05 PLN divided by the General Shareholders' Meeting is as follows:
- dividend 6,655,267.00
- share in profits for the Management Board 542,278.00
- share in profits for the Supervisory Board 474,493.00
- reserve capital 60,112,662.05

Proposals for allocation of net profit for the reporting period in the amount of 9,938,254.62 PLN:
- dividend 3,993,160.20
- share in profits for the Management Board 79,506.03
- share in profits for the Supervisory Board 69,567.78
- reserve capital 5,796,020.61

NOTE 29 - Profit per 1 share

For calculation of profit per one common share were stock considered 6,655,267 shares, and this amount did not change over the financial year 2013. In accordance with IAS, 33, 69,733 own shares purchased by the Issuer were excluded from the calculation. The Company does not have a complex capital structure (stock options, warrants and other), and in scope of profit split the preferred shares do not differ from ordinary bearer shares. Therefore, no ratio of diluted profit per ordinary share is not calculated.

6. Reporting by segments

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

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

- the results of which are subject to regular review and assessment by the main body in the entity responsible for decision making and using these results while deciding on the allocation of resources to segments,

- for which there is separate financial information available.

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

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

- Electrical Sheets Segment DB,
- Profiles Segment DP,
- Zinc Segment.

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

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

Transformer sheets segment includes transformer metal sheets and toroidal cores.

The Zinc Segment embraces the object of activities pursued by ZGH “Bolesław” S.A. jointly with the subsidiary companies, i.e. excavation of zinc-lead ores production of zinc and lead as well as related activities.

The Segment of Goods was accounted jointly with Other Activities, Due to the fact that its Capital Group's sales share was decreased.

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

<u>Segment costs</u> 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. 3 of this Information, taking into account the above findings, are applicable for reporting by segments.

Required information on operating segments for the year 2013 and comparable period was estimated and presented in the following tables (in thous. PLN):

Itemization 2013	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	Total Consolidated Value
Segment Revenues	386 672	812 377	1 383 181	224 293	2 806 523
Segment Costs	366 478	774 503	1 292 888	208 279	2 642 148
Segment Result	**20 194**	**37 874**	**90 293**	**16 014**	**164 375**
Other Operating and Financial Revenues Non-Attributable to the Segment					80 977
Other General, Operating and Financial Costs Non-Attributable to the Segment					148 533
Gross Profit					**96 819**
Income Tax					19 374
Net Profit					**77 445**
Segment Assets	734 173	788 991	1 172 232	259 662	2 955 058
Assets Non-Attributable to the Segment					37 354
Total Assets					2 992 412
Total Liabilities	112 109	263 832	462 605	101 423	939 968
Contingent Liabilities					296 115
Consolidated Liabilities					1 236 084
Investment Outlays	78 056	1 908	47 222	9 348	136 534
Depreciation	23 153	19 963	76 802	8 977	128 895

Itemization 2012	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	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 and Financial Revenues Non-Attributable to the Segment					17 796
Other General, Operating and Financial Costs Non-Attributable 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 Non-Attributable to the Segment					274 568
Total Assets					2 076 316
Total Liabilities	145 150	270 207	14 820	68 919	499 096
Investment Outlays	68 393	7 978		24 639	101 010
Depreciation	23 203	21 534	788	8 464	53 989

7. Financial instruments and risk management assessment

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 Company 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 Company 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 Issuer has an 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 Company 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 Company assesses whether there is objective evidence of impairment of a financial asset or the group of financial assets. Such evidence includes: 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.

<u>Derivative financial instruments</u> 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.

The purpose and policy of risk management and measurement methods.

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.

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

a) credit risk and contractual risk,

b) liquidity risk,

c) market risk, including:

- interest rate,
- currency,
- fluctuations of the LME zinc and lead prices and LBM silver prices.

Credit and contractual 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 to maintain current control, the commerce and Finances and Risk Management 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.

The subsidiary companies pursue their own policies in respect of the credit-related risk management. Some of them benefit from the services rendered by the insurance companies insuring liabilities (e.g. Cynk Mal S.A.).

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 Company with respect to the contracting party to deliver a specific lot, with a commitment of the 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 in the Parent Company 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 or by receiving partial or full prepayment for ordered goods before production.

Accepted securities			in thousand USD/EUR/PLN					
			2013			2012		
Item No.	Type of security	Type of hedged risk	Amount	Currency	PLN	Amount	Currency	PLN
1	Bank guarantees and letters of credit	credit/contract	941	PLN	941	1 500	PLN	1 500
2	Bank guarantees and letters of credit	credit/contract	2 245	EUR	9 310	2 565	EUR	10 486
3	Bank guarantees and letters of credit	credit/contract	2 818	USD	8 488	8 680	USD	26 905
4	Suretyships	credit/contract	4 000	PLN	4 000	20 813	PLN	20 814
4	Suretyships	credit/contract	5 750	EUR	23 846	11 420	EUR	46 687
	Total				**46 586**			**106 392**

The amount at risk equals the balance of short-term 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 394,493 thousand. The amount concerned totals PLN 394 493 thousand. The increase of the amount exposed to risk is connected with the inclusion of ZGH „Bolesław” S.A. in consolidation.

The amount at risk in thousand PLN	2013	2012
1. The balance sheet value of outstanding balance	409 953	293 674
2. Guarantees and letters of credit issued	31 126	78 510
3. The fair value of derivative transactions	27 045	0
4. Adopted securities	46 586	106 392
5. Receivables in respect of affiliated entities	0	0
The amount at risk	**394 493**	**265 792**

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

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

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

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.

The details concerning the credit line limits, credit-to-debt ratios and the remaining conditions were presented in 17c note.

Market Risk

Exchange Rates Risk

The exchange rate risk can be defined as the unfavourable impact of exchange rates on the Group's results. The following balance sheet positions are exposed to this kind of risk: granted loans, cash deposits and interest-bearing external financing sources.

As of 31.12.2013 the following data were provided in the Consolidated Balance Sheet:

loans granted – PLN 40 000 thousand,

cash – PLN 111 753 thousand,

long-term credits and loans – PLN 92 268 thousand,
short-term credits and loans – PLN 97 403 thousand.

The decrease of interest rates will result in the decrease of revenue from the interest on the granted loans and free cash flow. This will be accompanied by the reduction of costs related to external financing. The increase of interest rates will stimulate the increase of proceeds from the granted loans and free cash flow. This will be accompanied by the increase of costs related to external financing.
Both the loans, cash and the investment credit are based on variable interest rate (WIBOR, WIBID). The gross result's sensitivity to the increase of interest rates was presented below:

SENSITIVITY TO EXCHANGE RATE RISKS	in thousand PLN	
	2013	2012
Exchange rate increase by 50 basis points		
Impact on the gross result	-190	-306

Currency Risk

EUR is the main currency used both in the exports and intra-community transactions. Considering the risk from EUR/PLN currency fluctuations, the Parent Company uses natural hedging as its sales from individual periods are balanced by the purchases expressed or denominated in EUR. Additionally, the currency position is being constantly monitored. It happens that during a 2-3-week period it is open (short or long), however, its value is insignificant in relation to the turnover.

Another currency used in the clearing procedures is the USD. The currency position is being constantly monitored. Due to the sporadic character of USD purchases it was predominantly an open long position.

As of 31.12.2013, the sensitivity of balance sheet positions, expressed in EUR and USD, to currency risks is only slight in relation to the scale of the pursued activities. The currency-expressed receivables and liabilities were presented in 6c and 17b notes, respectively.

The nature of the activities pursued by the subsidiary company - ZGH “Bolesław” S.A. (production and USD sales of LME-quoted zinc and lead) forces the Company to pursue an active hedging policy against the currency-related risk. The Company secures its position, constantly monitoring the changes in raw material prices and currency exchange rates.

SENSITIVITY TO CURRENCY RISKS	in thousand PLN	
	2013	2012
PLN STREANGTHENING to USD & EUR by 5%		
Impact on gross result	2 410	1 342

Risk from Changing Raw Material Prices

In the Stalprodukt S.A. Capital Group the subsidiary ZGH “Bolesław” S.A. pursues an active commodity (Zn and Pb)risk management policy, using various derivative instruments.

The risk management policy is based on the Risk Committee's decisions. The details are defined in the ZGH “Bolesław” S.A.'s Hedging Policy adopted by the Management Board in the Resolution No 2/2011 dated 14 January 2011. The Company applies hedge accounting. To protect itself from the fluctuations of metal prices, the Company concludes swap transactions, applies options or option strategies and forward contracts. The details pertaining to the market risk management are defined in risk management procedure. The Financial Division is divided to the main blocks, i.e. the Front Office with the executive unit – Risk Management Department, supervising officer – Financial Director and the Back Office with its executive unit – Hedge Accounting Department and Chief Accountant acting as the supervising officer.

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.

Whereas considering the nature of the pursued activities, the subsidiary company ZGH “Bolesław” S.A. applies hedge accounting based on the internal procedures prepared in compliance with the International Accounting Standards.

8. Capital management

Capital management is pursued at the Parent Company's level.

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 Parent Company.

In 2013, the Parent 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 Parent Company's objectives, its smooth and reliable operation, and to raise funds for further development.

FINANCIAL LEVERAGE RATIO	in thousand PLN	
	2013	**2012**
Debt	189 671	178 608
Cash	-111 753	-77 487
Net Debt	77 918	101 121
Equity	1 756 328	1 577 220
Net Debt Relation to Equity	**4,44%**	6,41%

In the reporting period the increase of net profit per share was recorded, the maximization of which is a strategic goal for Stalprodukt. The net profit per share increased from PLN 9.03 in 2012 to PLN 11.64 in 2013.

Changes in equity for the years 2012 and 2013 are presented in the "Statement of changes in equity," which forms an integral part of the annual consolidated financial statements.

In 2013, the equity share in the financing of the Group's activities, calculated with the use of the equity ratio (as the relation of equity to the total liabilities), was decreased from 0.76 to 0.58. This was mainly caused by the consolidation of ZGH „Bolesław” S.A. and the inclusion of contingent liabilities in the balance sheet due to the group take-over as presented in the Note 16a and in par. 11 of the Additional and Explanatory Information Sheet.

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

- The Parent Company manages the receivables by assessing the customers' financial standings, setting credit limits and securities, monitoring claims and collections, if any, in accordance with applicable procedures. The result of proper risk management in this regard is keeping overdue receivables at a minimum level

- The main objective of the Company's inventory management is to assess the costs and benefits and their balance. The measures to ensure the continuity and regularity of supply and diversification of sources of feedstock supply to the timely implementation of procurement and maintenance of stocks at an optimal level, are systematically taken.

- The Parent Company maintained a substantial amount of cash on bank accounts, deposing them in profitable and safe short-term deposits, due to the need to finance current expenses resulting from operating activities, as well as the planned capital expenditures.

The capital management is run independently by the subsidiary Management Boards, applying the policy adopted by the Parent Company, subject to its supervision and monitoring.

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.

9. Information on related companies

Transactions between the Company Stalprodukt and its subsidiaries rely on constant mutual provision of supplies and services necessary for current operations. These are typical and routine transactions concluded at arm's length within the Group and under the conditions resulting from current operations. Other significant transactions with related parties, namely the transfer of rights and obligations for valuable consideration and free of charge did not occur.

The parties are considered to be related if one of the parties has the ability to control another party or significantly influence operating and financial decisions taken by another party. To recognize a given entity as a related entity, the Company applies the principles defined in IAS 24.

a) degree of the Issuer's participation in management is 51% in the Cynk-Mal S.A. and 86.92% in ZGH "Bolesław", and 100% in other related parties,

b) the Issuer's and associated companies' mutual receivables and liabilities have been presented in the Tables below.

Specification 2013	in thousand PLN			
	mutual claims and mutual		revenues and costs transaction liabilities	
	receivables	liabilities	revenues	costs
Stalprodukt-MB sp. z o.o.	31	1 795	284	4 480
Stalprodukt-Wamech sp. z o.o.	148	1 442	1 427	8 973
Stalprodukt-Centrostal sp. z o.o.	72 597		377 403	612
Stalprodukt-Serwis sp. z o.o.	88	2 831	806	18 725
Stalprodukt-Zamość sp. z o.o.	78	366	757	1 328
Stalprodukt-Warszawa sp. z o.o. under liquidation	2 718		4 166	
Stalprodukt-Ochrona sp. z o.o.	24	510	229	2 703
STP Elbud sp. z o.o.	376	10 061	13 387	22 648
Cynk-Mal S.A.	4 971		19 399	8 176
ZGH „Bolesław" S.A.		24		132
Anew Institute Sp. z o.o.		45	39	1 159

Specification 2012	in thousand PLN			
	mutual claims and mutual		revenues and costs transaction liabilities	
	receivables	liabilities	receivables	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	

c) The remaining data, necessary for the preparation of the Consolidated Financial Report, are related to the undermentioned exclusions and adjustments:

Specification 2014	in thousand PLN	
	2013	2012
participation	338 729	78 026
intangible assets	20 336	97 552
fixed assets	91 995	3 630
stocks	461	116 434
real estate investments	112 331	137 088
receivables and liabilities	99 460	511 138
revenue from sale of goods	401 566	99 967
revenue from sale of products	112 924	491 015
value of sold goods	383 062	115 823
cost of manufacture of sold products	128 647	4 525
costs of sales	3 245	0
interests	3 151	10 110
loans	10 110	78 026

10. Changes in the Issuer's Ownership Structure

1. This Report for the fiscal year 2013 is the first annual report, in which the consolidation of ZGH "Bolesław" S.A. was included.

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. Moreover, in order to fulfill its investment-related obligation, Stalprodukt S.A – as the merging entity (acquirer) – obligated itself to raise the share capital in the merged ZGH "Bolesław" S.A. company (acquire) with the amount of PLN 40 000 thousand in the so called "Definite Period" of maximum 3 years calculated from the conclusion of the transaction, as stipulated in the Agreement concerned.

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" 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 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.

The merged company (acquire) ZGH "Bolesław transformed its consolidated financial report according to the IFRS „First-Time Adoption of IFRS" as of 1.01.2013 and, subsequently, prepared its consolidated financial report as of 31.03.2013, including all the adjustments and exclusions in accordance with the IFRS. The merging entity (acquirer), i.e. Stalprodukt S.A., prepared the Group's consolidated report, for the first time including the ZGH "Bolesław" Group's in the report and reporting the profit from the bargain purchase in accordance with MSSF 3.

1. As of 10 June 2013 the company Stalprodukt-Warszawa was put into liquidation, in connection with some restructuring activities aimed at the simplification of the Capital Group's structure. The company was excluded from the consolidation.

2. On 2 December 2013, the Extraordinary Meeting of Shareholders of the companies: Bol-Therm Sp. z o.o., Bolsped Sp. z o.o. and General Meeting of Shareholders of the Boloil S.A. company adopted a resolution on the merger of the above mentioned companies, consisting in the transfer of the entire assets of the Boloil S.A. and Bolsped Sp. z o.o. companies (as the two taken-over companies - Acquirees) to the Bol-Therm Sp. z o.o. company (Acquirer) under art. 492 § 1 par. 1 of the Code of Commercial Companies. On 31 December 2013 r. The Kraków-Śródmieście District Court of Krakow, 12th Economic

Department of the National Court Register, recorded the above mentioned merger of the companies Boloil S.A., Bolsped Sp. z o.o. and Bol-Therm Sp. z o.o. as (File No KR.XII NS-REJ.KRS/22626/13/820) in the Acquirer's Register, i.e. Bol-Therm Sp. z o.o. (National Court Regsiter No - KRS: 000030681). At the same time, the Company's name, changed from Bol-Therm Sp. z o.o. to Boltech Sp. z o.o., was recorded therein. 1 January 2014 is considered to be the companies' merger date.

In the Issuer's Capital Group no other mergers, take-overs or sales of companies, long-term investments, divisions, restructurings or winding-ups took place.

11. Clearing the Purchase Price for ZGH “Bolesław” S.A.

The recognition and measurement of the goodwill or profit in respect of the bargain purchase was made pursuant to §32 IFRS 3 ”Joint Ventures”. According to the calculation the net fair value of the identifiable assets and liabilities exceeded the sum of the paid price and non-controlling shares by PLN 28 821 thousand. This means that the bargain purchase gain was recorded in the amount of PLN 28 821 thousand. The bargain purchase gain was presented in the Profit and Loss Account, item Other Operating Income and in the Comprehensive Income Statement. The Acquirer valuated the identified purchased assets and the taken-over liabilities, as of the purchase date, at their fair values, assuming their base values on the basis of the Consolidated Financial Report of the purchased ZGH ”Bolesław” Group, prepared as of 31.12.2012 and transformed on 1.01.2013 in compliance with IFRS1 „First-Time Adoption of IFRS” considering all and any valuations, adjustments and exclusions in compliance with the applicable standards. The so determined net amount of the purchased assets and taken over liabilities (PLN 672 112 thousand) was adjusted against the estimated contingent liabilities, arising from the risks identified by the Acquirer related to: liquidation costs of the “Olkusz-Pomorzany” mine, liability for mining damages, possible non-recovery of the financial resources engaged in the ”Gradir Montenegro” company, severance pays for the employees of the mining division, claims related to coal allowance as well as the issued guarantees and sureties. The final amount arising from the above mentioned estimates totaled PLN 296 115 thousand. This amount was presented in the Balance Sheet as of 31.12.2012 in the item: Contingent liabilities in respect of purchase of ZGH “Bolesław” S.A.

	Acquisition of Control Day
ASSETS	**31.12.2012**
Intangible fixed assets	**32 042**
Tangible fixed assets	**703 394**
Long-term receivables	**103**
Long-term investments	**3 546**

Long-term prepayments	**23 943**
including: - deferred tax	*15 470*
Inventory	**149 519**
Short-term receivables	**202 518**
Including: - trade receivables	*166 629*
- taxes, duties and insurance receivables	*29 239*
Short-term investments	**90 142**
including: - cash	*40 922*
- hedging instruments	*49 221*
Short-term Prepayments	**4 509**
LIABILITIES	**Acquisition of Control Day 31.12.2012**
Provisions for liabilities	**-201 935**
including: - deferred income tax	*30 845*
- retirement benefits	*38 946*
- mine liquidation	*123 171*
Long-term liabilities	**-78 372**
including: - credits & loans	*44 249*
- leasing	*25 684*
Short-term liabilities	**-228 911**
including: - trade liabilities	*108 752*
- credits & loans	*31 280*
- leasing	*17 051*
- tax, duties, insurance liabilities	*26 654*
Accruals	**-2 830**
Minority capital	**-25 547**
Net Assets	**672 122**

Calculation of Gain from Bargain Purchase	**Acquisition of Control Day 31.12.2012**
Contingent liabilities arising from identified risks	**-296 115**
Fair value of identifiable net assets	**376 007**
Paid consideration	**259 272**
including: - cash	*219 272*
- capital increase obligation	*40 000*
Value of non-controlling shares	**87 914**
Fair value if identifiable net assets	**-376 007**
Gain from bargain purchase	**-28 821**

12. Other information

Differences between the Consolidated Report and the Qsr_4/2013 Report

Specification	in thousand PLN		
	was	is	difference
Profit and loss account			
I. Net revenue from sale	*2 806 068*	*2 806 523*	*455*
II. Costs of sold products, goods and materials	*2 568 690*	*2 567 709*	*-981*
VI. Profit on sales	*42 321*	*42 565*	*244*
IX. Profit from operational activity	*50 621*	*80 719*	*30 098*
XII. Profit gross	*66 371*	*96 819*	*30 448*
XIV. Profit net	*76 559*	*77 445*	*886*
Balance sheet			
I. Fixed assets	**1 913 768**	**1 914 100**	**332**
1. Intangible assets	*75 812*	*95 185*	*19 373*
- right of perpetual land use	*43 416*	*63 751*	*20 335*
2. Property, plant and equipment	*1 764 744*	*1 740 220*	*-24 524*
3. Long-term investments	*48 206*	*48 206*	*0*
5. Long-term accruals	*24 748*	*24 479*	*-269*
II. Current assets	**1 086 490**	**1 078 312**	**-8 178**
1. Stocks	*506 607*	*506 632*	*25*
2. Receivables	*418 191*	*409 953*	*-8 238*
Assets in total	**3 000 258**	**2 992 412**	**-7 846**
I. Equity	**1 755 776**	**1 756 328**	**552**
II. Liabilities and provisions	**1 244 482**	**1 236 084**	**-8 398**
Liabilities in total	**3 000 258**	**2 992 412**	**-7 846**

The resulting differences have an insignificant impact on the Group's results and financial condition.
Considering the Consolidated Profit and Loss Account, the differences are caused by including the ”Gain from Bargain Purchase” within the item: ”Other Operating Income”. The remainder arise from the adjustments included in the separate reports made by the consolidated companies in connection with the audits carried out by certified auditors.
The above-presented changes introduced to the ”Profit and Loss Account and ”Balance Sheet” have been reflected in the corresponding parts of the „Changes in Equity” statement and in the ”Cash flow Statement”.

Adjustments due to Fundamental Errors

In the reporting period there was no need to make any adjustments to fundamental errors, likely to affect the Group's assets and financial standing as well as its liquidity and profitability.

Salaries of Managerial and Supervising Staff

The salaries and the bonuses paid to the Company's managerial and supervising staff amounted to PLN 3 022 thousand in 2013, and PLN 7 658 thousand in 2012, including the Management Board's remunerations, respectively: PLN 2 202 and 6 505 thousand, and the Supervisory Board's salaries totaled PLN 821 and 1 153 thousand.

The salaries paid in 2013 to the Issuer's managerial and supervising staff in respect of their positions in the subsidiary companies' governing bodies totaled – PLN 529 thousand, including: managerial staff PLN 455 thousand, and supervising staff PLN 74 thousand, whereas in 2012 – PLN 613 thousand, including managerial staff PLN 536 thousand, and supervising staff PLN 77 thousand.

Post Balance Sheet-Day Events

On 20 February 2014 a conditional agreement was concluded for the sale of shares in the Gradir Montenegro d.o.o company, between the subsidiary company: Zakłady Górniczo-Hutnicze „Bolesław" S.A. based in Bukowno - the Seller and Balkan Mining Group Ltd, a company formed and registered in Malta as C61059, based at: ul. Melita 60/2, Valletta, VLT 1122, Malta - the Buyer. As of the conclusion day, the Seller's shares in the company reached 99.3473% of the company's total registered share capital. The price for the shares being sold, payable to the Seller by the Buyer, amounts to PLN 152 968 330.

As of 7 April 2014 an Annex Agreement [cf. Ammendment] to the above mentioned Agreement for the Sale of Shares was signed, changing the date of the selling price transfer to 28 April 2014. At the same time, the date of consent to be obtained from the Hipotekarna Banka was shifted to 30 April 2014. Thus, the Agreement For the Sale of Shares was to become invalid in the case the suspensive conditions [cf. condition precedents] were not fulfilled, i.e. if the transfer of the selling price were not made within
28 April and if Hipotekarna Banka did not grant its consent within 30 April 2014.

As of 29 April 2014, the parent Company was notified that, as of 28 April, another Annex Agreement [cf. Amendment] was concluded between the Seller and the Buyer, shifting the date of the selling price transfer to 15 May 2014 and acquisition of the consent from Hipotekarna Banka to 20 May 2014. The remaining provisions of the Agreement remain intact.

Other information

1. In 2013, no activity conducted by the Issuer was abandoned.
2. During the reporting period the Company incurred capital expenditures of PLN 136,534 thousand. No funds were laid out on environmental protection. Planned capital expenditures for 2014 amounts to about PLN 142,688 thousand. Capital expenditures shall be used to finance intangible fixed assets.
3. In the reporting year, the Group did not undertake any joint ventures with external entities.
4. The average employment in occupational groups:
   - in 2013, total employment equalled 5,891 people, including 4,670 blue-collar and related workers, and 1221 white-collar workers
   - in 2012, total employment equalled 2,672 people, including 2,069 blue-collar and related workers, and 603 white-collar workers

5. 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.

6. As of the balance sheet day, the Group does not have any off-balance sheet contingent liabilities, other than the performance bonds, concerning the production and installation of road safety barriers as well as guarantees and bills of exchange/promissory notes issued by ZGH "Bolesław" S.A. As of 31.12.2013, the amount of valid guarantees corresponding to these titles totals PLN 23 969 thousand.

7. There were no significant events relating to previous years included in the annual financial statements as at 31.12.2013, which distort the picture of the activities of the financial year 2013.

8. In the reporting period, the Issuer granted a loan guarantee to the subsidiary company Stalprodukt-Centrostal Kraków Sp. z o.o. up to the amount of PLN 20 000 thousand, in respect of the current account credit granted by the Nordea Bank S.A.

9. After 31.12.2013, in addition to the information contained in this report and the report of the Management Board, there were no other events not included in the financial statements for the year 2013, which could materially affect the situation in the Company and its future financial results.

10. 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%.

11. These financial statements of Stalprodukt S.A. for 2013 was approved by the Management Board of the Company for publication on 30 April 2014.

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Józef Ryszka	Piotr Janeczek
Member of the Board – Marketing Director	President of the Board – Chief Executive Officer