STALPRODUKT S.A.

Abridged Consolidated Financial Report for the 1st Quarter of 2019.

Additional Information

Bochnia, May 2019

I. Introductory Information

1. The basic data

Apart from the parent company, the Stalprodukt S.A. Capital Group embraces 11 associated entities accounting for subsidiary companies, in which Stalprodukt holds 100% of shares, except for Zakłady Górniczo-Hutnicze "Bolesław", where it holds 94.92 % of shares.

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

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

- production of electrical transformer sheets – parent company Stalprodukt S.A., GO Steel Frydek Mistek a.s.
- production of cold formed profiles, road safety barriers as well as cut-to-length cold- and hot-rolled sheets and strips – parent company Stalprodukt S.A.,
- non-ferrous metal ores mining and zinc and lead production – ZGH "Bolesław" S.A. along with its subsidiary companies:

- Zinc Smelter - Huta Cynku "Miasteczko Śląskie" S.A. – production of rectified zinc, lead and cadmium,
- Bol-Therm Sp. z o.o. – power supply-, laboratory-, mechanics and construction- related services, transport-equipment and forwarding services, production of dolomite aggregates, zinc products and zinc alloys,
- Gradir Montenegro d.o.o. – zinc ores mining and concentrate production,
- Agencja Ochrony Osób i Mienia "Karo" Sp. z o.o. – bodyguard and property security services,
- PRD Olkusz Sp. z o.o. - construction and repair of roads (a subsidiary of Boltech Sp. z o.o). As of 6.11.2017 it was transformed into a joint stock company.

- trade activities:

- Stalprodukt-Centrostal Kraków Sp. z o.o., managing the all-Poland sales network with department and trade offices in Gliwice, Włocławek, Wrocław, Szczecin and Radom,
- Stalprodukt - Zamość Sp. z o.o.,

- other production- and services-related activities:

- production of galvanized banding steel and wire, as well as steel strips - Cynk-Mal S.A.,
- spare parts production and regeneration - Stalprodukt-Wamech Sp. z o.o.,
- installation, repair/renovation and maintenance of machines - Stalprodukt-Serwis Sp. z o.o.,

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

Changes in the Issuer's and Capital Group's Ownership Structure

1. Compared to the 1st quarter of 2018, the capital of ZGH "Bolesław" S.A. increased to the level of 94.92 % towards the end of the 1st quarter of 2019 in relation to 94.59 % achieved in the comparable period. The increase took place within the buy-back process of the employee shares of the ZGH "Bolesław" S.A. Company as well as in connection with the purchase of 56,192 shares from the State Treasury for the price of PLN 1,339,055.36, i.e. PLN 23.83 per share.
2. As part of the analysis of dependencies in the Capital Group, some premises were found related to obtaining significant influence over the Stalnet Sp. z o. o entity (the number of shares held has not changed and a significant effect was achieved as a result of the redemption of part of shares held by other shareholders). Therefore, the entity was consolidated using the equity method. In previous reporting periods, the shares in the entity were included as long-term investments.

2. Fundamental Principles Governing the Preparation of the Abridged Consolidated Financial Report

The presented Abridged Consolidated Financial Report was prepared in respect of the period from 1 January 2019 to 31 March 2019 with the use of the full consolidation method, considering all the Group's subsidiaries. The comparable data cover the period from 1 January 2018 to 31 March 2018 referring to the profit and loss account and the cash flow statement, the balance sheet values reflect the status as of 31 December 2018.

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

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

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

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

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

Accounting Principles (Policy)

1. In abridged consolidated financial report the accounting principles (policy) used, including the assets and liabilities, income and costs valuation methods as well as calculation methods adopted, were identical with the ones presented in detail in the Consolidated Report 2018.

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

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

The Management Board does not expect the introduction of the above standards and interpretations to significantly affect the accounting principles (policy) applied by the Group, its financial standing and financial result, but the same may still require further additional or amended disclosures to be included in the report. The aforementioned changes are described in detail in the Additional and explanatory information to the published consolidated financial report for 2018.

3. The information contained in the Consolidated Financial Report was compiled in compliance with the principles pertaining to the assets and liabilities valuation and net financial result measurement, defined as of the balance sheet day, in compliance with IFRS adopted by the European Union and interpretations related thereto, announced in the form of the European Commission Regulations, with the principle of materiality observed.
4. Since January 2019, the Issuer has been applying IFRS 16 to recognize and present perpetual usufruct as a lease. The impact of applying IFRS 16 has been described in the consolidated and separate financial statements for 2018.

Estimated Values

- a deferred income tax reserve liability was increased by the amount of PLN 12 325 thousand in connection with the occurrence of transitory positive differences,
- a provision for bad debt was established amounting to PLN 307 thousand, while the one amounting to PLN 137 thousand was released,
- a provision for employee benefits was established amounting to PLN 3 590 thousand, and the one amounting to PLN 807 thousand was released,
- a provision in the amount of PLN 55 thousand was established for the reclamation of a landfill,
- a provision for electrical energy origin certificates and CO_2 emissions allowances was established in the amount of PLN 5 364 thousand, and the one amounting to PLN 12 960 thousand was released,
- a provision in the amount of PLN 5 226 thousand was established for repairs, and released was PLN 1 258 thousand,
- a provision in the amount of PLN 350 thousand was established for fees for sewage disposal.

II. Business Segments

The segment-based reporting was based on IFRS 8 ”Operating Segments”. The rules governing the Stalprodukt Capital Group's division into operating segments and accounting principles applied in this kind of reporting were described in detail in the last published Consolidated Financial Report for 2018.

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

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

Itemization	Operating Segments				Total
	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	The carrying value
Segment Revenues	231 354	179 069	466 848	79 251	956 522
Domestic	15 850	133 663	279 780	65 828	495 121
Export	215 504	45 406	187 068	13 423	461 401
Segment Costs	208 936	178 140	386 290	75 171	848 537
Segment Result	**22 418**	**929**	**80 558**	**4 080**	**107 985**
Other Operating and Financial Revenues Non-Attributable to the Segment					10 533
Other General, Operating and Financial Costs Non-Attributable to the Segment					58 994
Gross Profit					**59 524**
Income Tax					15 238
Net Profit					**44 286**
Segment Assets	1 016 415	823 583	2 174 170	383 423	4 397 591
Assets Non-Attributable to the Segment					39 839
Total Assets					4 437 430
Liabilities	328 133	305 702	757 722	101 401	1 492 958
Contingent Liabilities					296 115
Liabilities due to the application of IFRS 16					79 430
Total Liabilities					1 868 503
Investment Outlays	2 588	324	22 089	5 364	30 365
Depreciation	9 618	4 811	21 593	4 306	40 328

Information on Operating Segments for 1st quarter of 2018 (PLN thousand)

Itemization	Operating Segments				Total
	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	
Segment Revenues	167 357	181 577	519 352	63 434	931 720
Domestic	39 737	139 143	313 204	57 440	549 524
Export	127 620	42 434	206 148	5 994	382 196
Segment Costs	149 614	177 524	400 511	55 914	783 563
Segment Result	**17 743**	**4 053**	**118 841**	**7 520**	**148 157**
Other Operating and Financial Revenues Non-Attributable to the Segment					8 950
Other General, Operating and Financial Costs Non-Attributable to the Segment					49 390
Gross Profit					**107 717**
Income Tax					22 603
Profit from the bargain purchase of GO Steel					19 748
Net Profit					**104 862**
Segment Assets	1 010 476	813 756	2 135 855	292 122	4 252 209
Assets Non-Attributable to the Segment					25 489
Total Assets					4 277 698
Liabilities	334 645	344 978	812 072	94 589	1 586 284
Contingent Liabilities					296 115
Total Liabilities					1 882 399
Investment Outlays	1 742	346	38 221	3 110	43 419
Depreciation	7 269	4 278	19 250	3 768	34 565

III. Assessment of obtained results and financial situation

In the 1st quarter of 2019, compared to the analogical period of 2018, the Stalprodukt S.A. Capital Group achieved sales revenues higher by PLN 24 802 thousand, i.e. by 2.7%. At the profit-on-sales level PLN 68 855 was achieved, compared to PLN 107 810 thousand generated in the 1st quarter of 2018. In the 1st quarter of 2019, the net profit amounted to PLN 44 286 thousand compared to PLN 104 862 thousand generated in the 1st quarter of 2018, which accounts for a 57.8 % decrease.

The Electrical Sheets Segment recorded the increase of transformer sheet sales volumes by 38.1 % compared to the 1st quarter of 2018, accompanied by the increase of the Segment's sales by 38.2 %. Additionally, compared to the fourth quarter of 2018, the sales volume was higher by 16.6%, with a simultaneous increase in revenues from the sales in the segment by

14.3%. The increase in sales volumes in relation to the first quarter of 2018 was largely caused by the consolidation in the segment of the activity of GO Steel Frydek Mistek a.s. The result of the abovementioned factors was an increase in the segment's margin by PLN 4 672 thousand. The price pressure was still noticeable throughout the period, which translated into a slowdown in the price increase recorded in the third quarter of 2018. The increase in the volumes compared to the fourth quarter meant a return to the numbers reported in previous quarters both at the plant in Bochnia and at Frydek-Mistek. The decrease in the sales volume in the fourth quarter was a one-off factor.

The Profiles Segment recorded a sales volume decrease in relation to the 1st quarter of 2018 by 6.2 %. At the same time, the Segment’s sales decreased by PLN 2 508 thousand, i.e. by 1.4 %. Having analysed the market of the Sections Segment of products, the Issuer maintains the opinion that sustaining a negative relation of input prices to finished product prices and a significant increase in imports negatively affect the results in the segment. Despite the difficult situation in the segment that has maintained for several quarters, the segment generated a profit. The Issuer should highlight significant volatility of the market, which is related to the overlapping of various and often contradictory factors, the pricing policies of steel mills and planned or continued infrastructure investments under the current financial perspective. At the same time, the Issuer would like to emphasize that former expectations regarding a systemic solution to the issue of dumping imports, which could have had a positive impact on the situation of the company and of steel processors, have not been fully resolved, i.a. due to (relatively) high quota amounts. Excessive imports of steel products (including, i.a. pipes and sections manufactured by Stalprodukt) on the European Union market have a significant impact on the competitive position of the EU producers. Therefore, all initiatives aimed at effectively limiting excessive imports of steel products and protecting the interests of local producers are very much taken into account.

In the 1st quarter of 2019 the Zinc Segment’s net sales amounted to PLN 466.8 million and decreased by 10 % in relation to the comparable period in the previous year when the sales amounted to PLN 519.3 million.

The sales figure is affected by the LME metal prices, USD exchange rates and the achieved sales volumes.

The decrease in turnover in the zinc segment in the 1st quarter of 2019, as compared to the comparable period of the previous year, was caused by a significant drop in the zinc price exchange (by 21%), lead (by 19%) and silver (7%). The increase in the US dollar exchange rate (by 11%) only slightly offset the dynamics of this decline.

The prices of metals basic for the Zinc Segment were quoted as follows:

1st Quarter of 2019

Average LME zinc price: 2 711 USD/ton
Average LME lead price: 2 035 USD/ton
Average LME silver price: 15.6 USD/oz.
USD exchange rate: PLN 3.7896

1st Quarter of 2018

Average LME zinc price: 3 421 USD/ton
Average LME lead price: 2 523 USD/ton
Average LBM silver price: 16.8 USD/oz.
USD exchange rate: PLN 3.4009

Converted to PLN, the base LME zinc price decreased by 12 %, from PLN 11 630 in the 1st quarter of 2018 to PLN 10 275 in the present reporting period.
Converted to PLN, the base LME lead price decreased by 10 %, from PLN 8 577 in the 1st quarter of 2018 to PLN 7 711 in the present reporting period.
Converted to PLN, the base LBM silver price increased by 3 % from PLN 57.0 in the 1st quarter of 2018 to PLN 58.9 in the present reporting period.

In the 1st quarter of 2019, the sales volume of zinc and silver products and decreased, while the sales volume of lead products increased.

In the 1st quarter of 2019, zinc and zinc products were sold, by 9.5 % less than in the 1st quarter of 2018. Over 83% of turnover of the ZGH Group is dependent on zinc.
The sales volume of lead and lead concentrates increased by 42 % compared to the 1st quarter of 2018. Only about 6 % of the turnover of the ZGH Group is dependent on lead.
Silver sales in the 1st quarter of 2019 decreased by 28 % compared to the 1st quarter of 2018. Over 2 % of turnover of the ZGH Group is dependent on silver.

Metal prices hedging transactions and the dollar exchange rate partially offset the drop in revenues resulting from prices and sales volume. The drop in the margin in the current period is mainly caused by a significant decrease in the quoted prices of metals and a lower volume of sales of zinc and silver.

IV. Financial instruments and risk management assessment

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

Depending on the type and size of risk, the Company complies with the appropriate instruments for the diagnosis, assessment and hedging.

As of 31 March 2019, the subsidiary companies belonging to the Zinc Segment were applying cash flow hedge accounting for commodity and currency swaps in accordance with the rules described in the Annual Report. As of 31 March 2018 they held the following hedging measures active (the links have been established for the period from January 2019 to May 2021):

1) currency

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
Active currency hedging instruments as of 31.03.2019 r.			**PLN thousand**		
Cash Flow Hedging	forward	$165 795 700,00	-27 647	-27 647	risk from USD/PLN exchange rates
Cash Flow Hedging	forward	€2 100 000,00	455	455	risk from EUR/PLN exchange rates
Cash Flow Hedging	option strategies		0	0	risk from USD/PLN exchange rates
Cash Flow Hedging	option strategies (collar)				risk from EUR/PLN exchange rates

2) raw material

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
Active commodity hedging instruments as of 31.03.2019 (zinc)			**PLN thousand**		
Cash Flow Hedging	swap	69 775	-36 017	-36 017	Price Change Risk Zn LME PLN
Cash Flow Hedging	swap (USD)	0	0	0	Price Change Risk Zn LME USD
Cash Flow Hedging	option strategies (collar)	10 000	4 852	4 346	Price Change Risk Zn LME
Cash Flow Hedging	put	5 000	5 951	4 346	Price Change Risk Zn LME
Cash Flow Hedging	call	5 000	-1 099	0	Price Change Risk Zn LME
Active commodity hedging instruments as of 31.12.2018 (lead)			**PLN thousand**		
Cash Flow Hedging	swap	2 600	2 639	2 639	Price Change Risk Pb LME PLN
Cash Flow Hedging	swap (USD)	0	0	0	Price Change Risk Pb LME USD
Cash Flow Hedging	option strategies (collar)	1 800	1 348	1 314	Price Change Risk Pb LME
Cash Flow Hedging	put	900	1 364	1 314	Price Change Risk Pb LME
Cash Flow Hedging	call	900	-16	0	Price Change Risk Pb LME
Active commodity hedging instruments as of 31.12.2018 (silver)			**PLN thousand**		
Cash Flow Hedging	swap	0	0	0	Price Change Risk Ag LMBA

Explanations Referring to Balance Sheet Items Related to Derivative Instruments

Explanation Referring to the Item: Other long- and Short-Term Investments	PLN thousand	
	31.03.2019	31.03.2018
Long-Term investments	26 747	43 010
Short-Term Investments	57 793	102 287
TOTAL, including:	**84 540**	**145 297**
a) valuation of derivative transactions	29 531	90 930
b) securities	55 009	54 317

Explanation to Item: Liabilities pertaining to hedging instruments	PLN thousand	
	31.03.2019	31.03.2018
Contracts for Hedging Transactions	19 970	61 470
Conclusions of Currency Option Transactions	77 346	149 099
Adjustment pertaining to the amount resulting from the closed transactions settlements with brokers	-3 004	-11 751
TOTAL	**94 312**	**198 818**

Valuation of Derivative Transactions

Valuation of Derivative Transactions	PLN thousand			
	31.12.2019		31.12.2018	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Commodity Transactions - Zinc	19 546	58 718	5 455	194 007
Commodity Transactions - Lead	4 003	410	2 481	3 939
Currency Transactions - USD/PLN EUR/PLN	5 982	35 184	82 994	871
Commodity Transactions- Silver	0	0	0	0
Total	**29 531**	**94 312**	**90 930**	**198 817**

Division of Hedging Instruments

Division of Hedging Instruments	PLN thousand			
	31.12.2019		31.12.2018	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Hedging Instruments	**27 321**	**87 712**	**86 774**	**196 716**
Commodity Transactions - zinc	*17 336*	*54 522*	*3 548*	*192 477*
Commodity Transactions - lead	*4 002*	*16*	*2 481*	*3 940*
Currency Transactions - USD/PLN, EUR/PLN	*5 983*	*33 174*	*80 745*	*299*
Commodity Transactions - Silver	*0*	*0*	*0*	*0*
Trade Instruments	**2 210**	**6 599**	**4 156**	**2 102**
Commodity Transactions- zinc	*2 210*	*4 195*	*1 907*	*1 530*

Commodity Transactions - lead	0	0	0	0
Currency Transactions - USD/PLN, EUR/PLN	0	2 404	2 249	572
Commodity Transactions - silver	0	0	0	0
Total	**29 531**	**94 311**	**90 930**	**198 818**

Financial Report Presentation of Applied Derivative Instruments

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

Derivative Transactions Presented in the Profit and Loss Account:	PLN thousand	
	31.03.2019	31.03.2018
Sales of Products Adjustment	-3 601	-36 963
Sales of Goods Adjustments	0	0
Revaluation of Investments	-7 198	1 065
Gains/Loss on Sale of Investments	-1 062	1 821
Total	**-11 861**	**-34 077**

Cash Result from Reconciliation of Derivative Instruments:	PLN thousand	
	31.03.2019	31.03.2018
Commodity Transactions	-2 197	-56 305
Currency Transactions	-290	16 944
Total	**-2 487**	**-39 361**

Sales of Products Adjustment Related to Application of Hedging Instruments:	PLN thousand	
	31.03.2019	31.03.2018
Sales Increase	3 681	17 461
Sales Decrease	-7 282	-54 424
TOTAL	**-3 601**	**-36 963**

Status of Capital from Revaluation Related to Application of Hedge Accounting (excluding Deferred Tax)	PLN thousand	
	31.03.2019	31.03.2018
Valuation of Open Hedging Instruments:	**-60 202**	**-109 134**
- Zn	-36 963	-187 107
- Pb	3 953	-2 473
- USD/PLN	-27 647	79 033
- Ag	455	0
- EUR/PLN	0	1 413

Result from the Application of Hedging Instruments Capital-Retained until the Realization of the Hedged Item:	**-145**	**-3 551**
- Zn	*-145*	*-3 551*
- Pb	*0*	*0*
- USD/PLN		*0*
TOTAL	**-60 347**	**-112 685**

V. Other Information

1. In the 1st quarter of 2019, the Capital Group did not experience any seasonality consequences. During the reporting period no other positions were recorded, significantly affecting the assets, liabilities, equity, net profit or cash flow, which would be untypical in terms of their kind, volume/size or frequency.
2. As of the balance sheet day, the Stalprodukt S.A. Capital Group holds the below mentioned off-balance-sheet contingent liabilities:
   - guarantees of good workmanship concerning the production and assembly of road barriers totaling PLN 19 911 thousand, and endorsement of a blank promissory note amounting to PLN 13 000 thousand, issued by STP Elbud Sp. z o.o. in order to secure the investment credit granted by Bank Pekao S.A.,
   - guarantees and sureties (avals) granted by ZGH "Bolesław" amounting to PLN 1 547.5 thousand,
   - ZGH "Bolesław" S.A. issued a bill of exchange in connection with the agreement concluded with the National Center for Research and Development, amounting to PLN 38.8 million (wash tubs hall investment project) for subsidizing the project within the Intelligent Development operating program (Number of Agreement POIR.01.01.02-00-0159/16-00),
3. The Issuer does not publish result forecasts.
4. The pending bankruptcy and composition proceedings cover the Group's receivables totaling PLN 4 562 thousand, wherein Stalprodukt's share amounts to PLN 743 thousand and ZGH "Bolesław"'s - PLN 3 819 thousand.

   During the reporting period, no other essential proceedings were instituted or pending before the courts or government agencies, concerning any liabilities or receivables, which might exert a significant influence on the Group's future results and its financial standing.
5. As of the Report submission day, the shareholders holding at least 5% of the total number of votes at the General Meeting of Shareholders are:
   - STP Investment S.A. holding 1 829 319 shares, accounting for a 32.78 %-share in capital and 5 875 691 votes, accounting for 48.17 % of the total number of votes at the General Meeting of Shareholders,

- Stalprodukt Profil S.A. holding 579 652 shares, accounting for 10.39 %-share in capital and 1 095 488 votes, accounting for 8.98 % of the total number of votes at the General Meeting of Shareholders.
- ArcelorMittal Sourcing a société en commandite par actions holding 1 066 100 shares, accounting for a 19.10 %-share in capital and 1 066 100 votes, accounting for a 8.74 % of the total number of votes at the General Meeting of Shareholders.

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

a/ management officers:
- Piotr Janeczek 115 053 shares of nominal value: PLN 230 106,
- Józef Ryszka 504 shares of nominal value: PLN 1 008,
- Łukasz Mentel 100 shares of nominal value: PLN 200.

b/ supervision officers:
- Janusz Bodek 61 974 shares of nominal value: PLN 123 948.

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

Moreover, Piotr Janeczek indirectly holds, i.e. through:
- STP Investment S.A. - 1 829 319 shares, accounting for a 32.78 %-share in capital and 5 875 691 votes, accounting for 48.17 % of the total number of votes at the General Meeting of Shareholders,
- Stalprodukt Profil S.A. - 579 652 shares, accounting for a 10.39 %-share in capital and 1 095 488 votes, accounting for 8.98 % of the total number of votes at the General Meeting of Shareholders,
- F&R FINANSE sp. z o.o. – 43 807 shares, accounting for a 0.79 %-share in capital and 43 807 votes, accounting for 0.36 % of the total number of votes at the General Meeting of Shareholders,
- Stalnet sp. z o.o. – 135 564 shares, accounting for a 2.43 %-share in capital and 383 572 votes, accounting for 3.14 % of the total number of votes at the General Meeting of Shareholders,

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

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

Moreover, attention should be paid to the fact that the Shareholders' agreement concluded on 30 June 2016, concerning the acquisition of the Company's shares and consensual voting at the General Meetings of the Company's Shareholders, as well as pursuing the common policy in respect of the Company, was terminated on 29 June 2018 (Current Report No 17 as of 29.06.2018).

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

8. The total value of the Issuer's transactions with associated companies in the period from 01.01.2019 to 31.03.2019 and in the comparable period from 01.01.2018 to 31.03.2018 is presented in the Table below.

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

Moreover, in the 1st quarter of 2019 transactions were concluded with the companies in which the Company holds shares: Stalnet Sp. z o.o. - revenue PLN 12 thousand, costs PLN 66 thousand; receivables PLN 5 thousand, liabilities PLN 15 thousand; Stalprodukt-Profil S.A. revenue PLN 3 thousand, costs PLN 0 thousand, receivables PLN 0 thousand, liabilities: PLN 0 thousand. These were market-type transactions. Under the contract to perform a specific task, the balance towards F&R Finanse Sp. z o.o. amounts PLN 12 804 thousand.

Items the 1st quarter of 2018	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-MB sp. z o.o.	57	1 664	143	882
Stalprodukt-Wamech sp. z o.o.	154	2 071	369	2 556
Stalprodukt-Centrostal sp. z o.o.	81 958	229	96 548	335
Stalprodukt-Serwis sp. z o.o.	78	1 669	192	1 418
Stalprodukt-Zamość sp. z o.o.	78	196	190	202
Stalprodukt-Ochrona sp. z o.o.	23	1027	58	837
STP Elbud sp. z o.o.	300	4 399	656	5 903
Anew Institute sp. z o.o.		60		154
ZGH "Bolesław" S.A.		20		73
Cynk-Mal S.A.	8 134		6 335	2 412

Moreover, in the 1st quarter of 2018 transactions were concluded with the companies in which the Company holds shares: Stalnet Sp. z o.o. - revenue PLN 11 thousand, costs PLN 66 thousand; receivables PLN 5 thousand, liabilities PLN 15 thousand; Stalprodukt-Profil S.A. revenue PLN 3 thousand, costs PLN 0 thousand, receivables PLN 0 thousand, liabilities: PLN 0 thousand. These were market-type transactions. Under the contract to perform a specific task, the balance towards F&R Finanse Sp. z o.o. amounts PLN 12 756 thousand.

9. In the reporting period the Group made investment outlays on the purchase and formation of tangible fixed assets amounting to PLN 30 365 thousand. No significant fixed asset components have been disposed of during the reporting period.

10. In connection with the plans by ArcelorMittal Poland S.A. to temporarily exclude the raw material part from the Kraków branch of this company as announced on 6 May 2019, the Management Board of Stalprodukt S.A. ("Company", "Issuer") made public the following explanations (RB no. 5 of 8.05.2019):

- ArcelorMittal Poland S.A. ("AMP") is the main manufacturer of input materials for the Company. These deliveries include hot-rolled sheets in coils, used for manufacturing processes in two basic operational segments – Cold Formed Profiles and Electrical Sheets (operating within the Stalprodukt S.A. Group, GO Steel Frydek Mistek a.s., is also the recipient of these products).
- On December 14, 2017 Stalprodukt S.A. and ArcelorMittal Flat Carbon Europe S.A. ("FCE"), which is a company of the ArcelorMittal Group, signed a long-term agreement for the delivery to the Company of hot-rolled coils ("HRC Agreement"). This agreement secures the Issuer's needs related to the purchase of input materials for both operational segments mentioned above. Deliveries of input materials for the manufacturing of transformer sheets, including high grades of transformer sheets developed by the Company, referred to as HiB, are of special

importance to the Company due to the limited availability on the market. The Company announced the execution of the commercial agreement as regards the information on signing the agreement for the purchase of 100% of the shares of GO Steel Frydek Mistek a.s (current report no. 35 of 2017), and in the consolidated quarterly report for Q1 2018 at III of the Statement ("Settlement of the purchase price of GO Steel Frydek Mistek a.s.").

- It should be noted that both parties, i.e. Stalprodukt S.A. and ArcelorMittal Flat Carbon Europe S.A., signed an additional, long-term agreement on 14 December 2017 (valid until 2027), governing the detailed terms and conditions for the delivery of hot-rolled coils for the Company to manufacture transformer sheets of HiB grade. Under the Agreement, it is assumed that FCE will deliver hot-rolled coils of HiB grade after ArcelorMittal Poland S.A. has completed the research and development project, whose aim is to develop a technology for manufacturing electrical transformer steel. Stalprodukt S.A. would use this grade of steel for manufacturing high grades of transformer sheets (the Issuer announced the launch of this project in the current report no. 34/2017 of 15 December 2017). As regards the plans presented by ArcelorMittal Poland S.A., which are related to the limitation of manufacturing at the primary steelmaking operations of the company's Kraków branch, the Issuer is not familiar with the official stance of ArcelorMittal Poland S.A. on the potential influence of this decision on the further delivery of the said research and development project.
- Simultaneously, the Issuer's Management Board states that on May 7, 2019, at the registered office of the Company was held a meeting with a top management representative of ArcelorMittal Flat Carbon Europe S.A., who declared that necessary actions would be taken to secure deliveries of input materials for the Company from the other steelworks within the ArcelorMittal Group, if the temporary shutdown of the primary steelmaking production facilities at ArcelorMittal Poland S.A., Kraków branch, negatively affected the manufacturing on behalf of the Company. These declarations also include the delivery of hot-rolled coils of high grades, for the manufacturing of HiB sheets.

11. On 30 April 2019, in the current report no. 3, the Issuer's Management Board presented a declaration regarding the payment of the dividend from the profit for 2018. The proposal to distribute profit for 2018 includes payment of a dividend in the amount of PLN 27 901 335 i.e. PLN 5.00 gross per share.
12. On 13.06.2013, the Issuer’s subsidiary company, i.e. ZGH „Bolesław” S.A., brought action in the Regional Court of Kraków against Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o. („PWiK sp. z o.o.”) *Water and Sewage Management Institution* in Olkusz for establishing that ZGH “Bolesław” S.A. shall not be liable for damages to the defendant, regardless of whether tort or contractual liability applies, in respect of the

lack of water supply resulting from the mine dewatering condition following the mine's liquidation and that the same shall not be not liable for the pollution of the existing or former PWiK sp. z o.o. potable water intakes. On 24.02.2014 a lawsuit was filed by the PWiK Sp. z o.o. in Olkusz, against ZGH "Bolesław" S.A., wherein the PWiK Sp. z o.o. demanded:

- Payment of compensation for mining damages amounting to PLN 64 015 224;
- Potential order of restitution to the previous condition, obligating ZGH "Bolesław" S.A. to supply potable and utility water to the population
- Potential order making ZGH "Bolesław" S.A. file a declaration of intent to express their consent for PWiK Sp. z o.o. to supply water in lieu of ZGH "Bolesław" S.A.

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

1. In the case brought by the Company against PWiK sp. z o.o. in Olkusz the court issued a judgment in which the complaint was dismissed.
2. In the case brought by PWiK sp. z o.o. in Olkusz against the Company for the payment of the mining damages the court issued a preliminary judgment accepting the claim filed by PWiK sp. z o.o. in Olkusz as justified in principle. The potential amount of the damages shall be subject to further proceedings and may reach the maximum level of PLN 64 million. In connection with the referenced lawsuit the ZGH "Bolesław" S.A. Company had formed a provision amounting to PLN 15 million already in 2015.

Both judgments are not final and absolute yet. In accordance with the earlier declaration, on 08.10.2018, the ZGH "Bolesław" S.A. Company appealed against both of the judgments to the Appeal Court of Kraków, 1st Civil Department, with the intermediation of the Regional Court of Kraków.

The Issuer informed about the above mentioned judgments and the standpoint of the ZGH "Bolesław" S.A. company in the case, in the Current Report No 6 dated 25.04.2018. The Issuer shares the opinion of the subsidiary company ("Company") contained in the report concerned, which was provided below:

a) from the beginning of 2017 onwards, PWiK sp. z o.o. ceased to use the mining waters, provided by the Company, in its activities as defined in the Articles of Association. Staring from that moment, PWiK sp. z o.o. has exclusively used its own independently-constructed water supply system, based, in particular, on the Kolbark, Cieślin and Bydlin water intakes. The above intakes seem to sufficiently secure the Olkusz region's water supply,

b) what is recognized as damages in the case concerned, is the value of the outlays made by PWiK sp. z o.o. in order to build the new water supply system. It should be pointed out that, considering the present condition, as for today PWiK sp. z o.o.

expended around gross PLN 29 million to this end. These funds were used for the construction of the above mentioned water intakes and water distribution pipelines. Therefore, at the present moment, this is how much the damages total and not PLN 64 million,

c) *in the Company's assessment, the potential compensation amount should be rendered as a net amount (exclusive of VAT, which PWiK sp. z o.o. may deduct). The present status means that the above mentioned amount should be reduced by 23%.,*
d) *while building the water supply system, PWiK sp. z o.o. benefited from the EU extra funding amounting to 60-80% of the project value. In the Company's assessment, the adversary has not sustained any loss in this respect,*
e) *determining the compensation amount, one should exclude investments related to the water supply activities, e.g. water chlorination equipment, UV irradiation,*
f) *the above issues shall, most probably, be the object of further proceeding, including the valuations to be made by the experts.*

Moreover, it should be reminded that the issue of contingent liabilities related to the acquisition of ZGH "Bolesław" S.A. was described in detail in the Stalprodukt S.A. Consolidated Financial Report for the year 2013 (item 11. Settlement of the ZGH "Bolesław" S.A. purchase price). The contingent liabilities were defined as resulting from the risks identified by the Acquirer and related, among others, to: the "Olkusz-Pomorzany" mine liquidation costs and liability for the mining damages. The amount resulting from the above mentioned estimates totaled PLN 296 115 thousand. This amount was entered in the Balance Sheet as of 31.12.2013 in the position "Contingent liabilities due to the purchase of ZGH "Bolesław" S.A".

13. Neither the Issuer nor its Capital Group's entities issued, redeemed or paid any debt or other capital securities, apart from the ones referred to herein.
14. During the reporting period and within the submission of the present quarterly report, neither the Parent Company, nor its subsidiaries, granted any sureties, loans, credits or guaranties, apart from the ones referred to herein.
15. In the Issuer's assessment, the factors likely to affect the Group's results at least in the perspective of the coming quarter, shall be:
    - fluctuations of charge prices and demand for Stalprodukt's products,
    - fluctuations of the LME zinc and lead prices and LBM silver prices ,
    - fluctuations of currency exchange rates.
16. During the reporting period and following 31.03.2019 until the preparation of the Abridged Consolidated Report for the 1st quarter 2019 no other important events took place, apart from the ones mentioned herein, which might significantly affect the Group's standing and its financial results. The Issuer does not possess any other information, which, in his opinion, is essential for the assessment and changes in the

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

17. Pursuant to par. 62, subpar. 1 of the Regulation of the Minister of Finance as of 29.03.2018 on current and periodic information to be disclosed by issuers of securities and conditions for recognizing as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws 2018, item 757 with subsequent amendments), the Issuer does not submit its separate quarterly report. This Report constitutes a supplement to the Abridged Consolidated Report rendered as the "Stalprodukt S.A. Abridged Financial Report for the 1st Quarter of 2019".

18. No additional information was appended to the Abridged Consolidated Financial Report for the 1st quarter of 2019 as, during the reporting period, no other events, concerning the separate report, took place, apart from the ones referred to herein.

19. This Abridged Consolidated Financial Report for the 1st quarter of 2019 was approved for publication by parent Company's Management Board on 15.05.2019.

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Łukasz Mentel
Member of the Management Board
– Financial Director

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Józef Ryszka
Member of the Management Board
– Marketing Director

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Piotr Janeczek
President of the Management Board – CEO