Semi-Annual Report
on Stalprodukt S.A.
Capital Group's Activities
For the period from 1.01.2022 to 30.06.2022

Bochnia, August 2022

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10. Compilation the Issuer’s shareholding status or entitlements thereto exercised by the Issuer’s managing or supervising officers as of the Semi-Annual Report’s date of issue accompanied by the changes in the shareholding structure, in the period pending from the submission day of the previous periodic report, separately for each of the persons concerned
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1. Capital Group's Structure

The Stalprodukt S.A. Capital Group embraces the Parent Company and 10 Subsidiary Companies involved in the below-mentioned segments of activity:

- **Stalprodukt-Centrostal Kraków sp. z o.o. in liquidation -** wholesale and retail trade of metal products
- **Stalprodukt-Wamech sp. z o.o. -** production of steel constructions, spare parts and rendering alteration services, road construction and maintenance, erection of road safety
- **Stalprodukt-Zamość sp. z o.o. -** production of construction woodwork
- **STP Elbud sp. z o.o. –** production of steel constructions and galvanizing services
- **Stalprodukt-Ochrona sp. z o.o.** - personal and property security services
- **Cynk-Mal S.A.** - production of galvanized hoop iron and wire
- **ZGH "Bolesław" S.**A. - excavation of non-ferrous metal ores and zinc and lead production
- **Anew Institute sp. z o.o. -** designing renewable energy sources
- **GO Steel a.s. -** production of electrical transformer sheets and cold-rolled sheets
- **Hotel Ferreus Sp.** z o.o. - providing hotel services (the company's operations were suspended from 1 July 2022 for a period of two years).

The Level of Parent Company's Shareholding in Subsidiary Companies is as follows:

- in ZGH "Bolesław" – 94.93 %
- in other companies – 100 % shares each.

The parent company has 2 branches which are production departments of cold-bent profiles:

a) Stalprodukt S.A. Wydział Profili Giętych P3, ul. Nad Drwiną 10, 30-741 Kraków
b) Stalprodukt S.A. Wydział Profili Giętych P4,Al. Piaskowa 122, 33-100 Tarnów

The Parent Company's main object of activity is the manufacture of highly processed steel products, i.e. electrical and transformer sheets and strips, cold formed profiles, road safety barriers, toroidal cores and hot- and cold-rolled steel sheets and strips.

The Parent Company and all the Capital Group's Subsidiary Companies were subject to consolidation.

Pursuant to art. 55 of the Accountancy Act as of 29.09.1994 (consolidated text Journal of Laws as of 2018, item 395), the Issuer prepares consolidated financial reports in reference to the periods beginning as of 1 January 2005 in accordance with IFRS.

Additionally, as of 30.06.2022 ZGH "Bolesław" had shareholdings in the following subsidiary companies (in brackets, ZGH' shareholding in share capital of those companies):

- Zinc Smelter - Huta Cynku "Miasteczko Śląskie" S.A. (92.78 %) – production of rectified zinc, lead and cadmium,
- Bol-Therm Sp. z o.o. (100 %) – 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. (99.61 %) – zinc ores mining and concentrate production,

- Agencja Ochrony Osób i Mienia ”Karo” Sp. z o.o. (100 %) – bodyguard and property security services.

1.1 Change of the Capital Group’s organizational structure during the 1st half of 2022.

In the first half of 2022, there were no changes in the organization of the Stalprodukt Capital Group.

2. Selected financial data. Assessment of Economic and Financial Standing

SELECTED FINANCIAL DATA	thousand x PLN		thousand x EUR	
	1st half 2021 increasingly for the period from 01-01-2021 to 30-06-2021	1st half 2020 increasingly for the period from 01-01-2020 to 30-06-2020	1st half 2021 increasingly for the period from 01-01-2021 to 30-06-2021	1st half 2020 increasingly for the period from 01-01-2020 to 30-06-2020
I. Net sales of products, goods and materials	3 051 438	2 143 191	657 255	473 927
II. Operating profit (loss)	346 407	267 377	74 613	59 125
III. Profit (loss) before taxation	340 919	258 339	73 431	57 127
IV. Net profit (loss)	265 971	221 047	57 288	48 880
- attributable to shareholders of the parent company	265 812	214 236	57 254	47 374
- net profit attributed to non-controlling interests	159	6 811	34	1 506
V. Net cash flow from operating activities	71 771	247 750	15 459	54 785
VI. Net cash flow from investment activities	-4 148	-72 557	-893	-16 045
VII. Net cash flow from financial activities	-49 986	-30 200	-10 767	-6 678
VIII. Total net cash flow	17 637	144 993	3 799	32 062
IX. Total assets	5 298 675	4 841 895	1 132 050	1 052 723
X. Liabilities and provisions for liabilities	540 359	571 664	115 446	124 291
XI. Long-term liabilities	1 156 555	899 018	247 096	195 464
XII. Short-term liabilities	3 601 761	3 371 213	769 508	732 968
XIII. Shareholders' equity	3 499 305	3 262 788	747 619	709 394
- equity attributable to shareholders of the parent	102 456	108 425	21 890	23 574
- equity attributed to non-controlling interests	11 161	11 161	2 385	2 427
XIV. Share capital	5 580 267	5 580 267	5 580 267	5 580 267
XV. Number of shares	47,66	39,61	10	8,76
XVI. Profit (loss) for one ordinary share (in PLN)	645,45	604,13	138	131,35
XVII. Diluted profit (loss) per ordinary share (PLN)	12,00	6,00	2,58	1,33
XVIII. Book value per share (PLN)	551,22	522,05	121,93	112,52
XIX. Diluted book value per share (PLN)	551,22	522,05	121,93	112,52
XX. Declared or paid-out dividend for one share in (PLN/EUR)	6,00		1,33	

Assessment of the economic and financial situation

In the first half of 2022, compared to the same period of 2021, the Stalprodukt S.A. Capital Group achieved sales revenues higher by PLN 908,247 thousand, i.e. by 42.4%.

At the level of gross profit on sales, PLN 507,501 thousand was achieved, against PLN 375 527 thousand in the first half of 2021, which means an increase by 35.1%. On the other hand, at the level of

operating profit, the level of PLN 346,407 thousand was reached, against PLN 267 377 thousand, an increase by PLN 79 030 thousand, i.e. by 29.5%.
The net profit in the first half of 2022 amounted to PLN 265,971 thousand compared to the first half of 2021, when it amounted to PLN 221 047 thousand, which means an increase by PLN 44 924 thousand, i.e. by 20.3%.
The Capital Group recorded positive results in all operating segments.

3. Information on financial instruments

Detailed information on financial instruments in the scope of:

a) risks: related to changing prices, loan, major obstructions to cash flow and cash flow loss, to which the entity is exposed,

b) goals and financial risk management methods adopted by the entity, including hedging methods for crucial types of intended transactions to which hedge accounting is applied

have been included in the Stalprodukt S.A. Financial Statement (page 27. “Financial Instruments and Risk Management Assessment”).

4. Information on own shares

The issuer did not have own shares.

5. Sales of particular operating segments. Indication of the factors and events, including the non-typical ones, affecting the Abridged Interim Consolidated Financial Report.

OPERATING SEGMENTS the Stalprodukt Capital Group		**1st half of 2021**	**1st half of 2022**	**Change (2022/2021)**
Electrical Sheets Segment				
Segment Revenues	*Thousand x PLN*	**452 654**	**860 742**	90,2%
Segment Result	*thousand x PLN*	**59 235**	**234 485**	295,9%
Segment margin	%	**13,1%**	**27,2%**	
Profiles Segment				
Segment Revenues	*thousand x PLN*	**435 553**	**595 374**	36,7%
Segment Result	*thousand x PLN*	**72 367**	**69 553**	-3,9%
Segment margin	%	**16,6%**	**11,7%**	

Zinc Segment				
Segment Revenues	*thousand x PLN*	**1 111 345**	**1 376 871**	23,9%
Segment Result	*thousand x PLN*	**178 399**	**83 763**	-53,0%
Segment margin	%	**16,1%**	**6,1%**	
Other Activities Segment of Capital Group				
Segment Revenues	*thousand x PLN*	**143 639**	**218 451**	52,1%
Segment Result	*thousand x PLN*	**22 397**	**59 106**	163,9%
Segment margin	%	**15,6%**	**27,1%**	
Operating segments together				
Segments Revenues	*thousand x PLN*	**2 143 191**	**3 051 438**	42,4%
Segments Result	*thousand x PLN*	**332 398**	**446 907**	34,4%
Segments margin	%	**15,5%**	**14,6%**	

5.1 Steel Sheets Segment

Electrical Sheets Segment embraces the sales of electrical transformer sheets and cores pursued by Stalprodukt S.A., and also sales of transformer sheets pursued by GO Steel a.s.

The revenues of the Electrical Sheets Segment increased in the reported period by PLN 860,742 thousand, and were higher by 90.2% compared to the first half of 2021. The Segment's result amounted to PLN 234,485 thousand (an almost 4-fold increase), and the margin increased from 13.1% to 27.2%.

In the **Electrical Sheets Segment**, a 2.3% decrease in the sales volume of transformer sheets was recorded, compared to the first half of 2021. At the same time, significant increases in revenues and results were achieved. Revenues increased by PLN 408,088 thousand, i.e. by 90.1%. The segment's result increased by PLN 175,250 thousand, which is an almost threefold improvement compared to the same period of the previous year. The main factor contributing to the improvement of the achieved results was a significant increase in prices.

In the first half of 2022, the share of HiB sheets at the Bochnia plant amounted to slightly over 25% of the production volume. Additionally, as in the entire year 2021, the plant in the Czech Republic made a significant contribution to the segment's result.

Market situation

The global market and the availability of grain-oriented sheets in the first half of 2022 were influenced by many factors - the main ones are the war in Ukraine and the consequence of blockades and the "zero-Covid" policy in China.

The high price increase was more influenced by the risk of restricted access than by the real situation. Despite the war and the introduction of sanctions against Russia, the import of electrical sheets to Europe in the first half of 2022 increased. GOES sheets were not included in Commission Implementing Regulation 2021/1029 (amending Commission Implementing Regulation 2019/159) concerning safeguard measures in relation to the import of certain steel products (the so-called "steel safeguard"), which was the basis for sanctions for steel products from Russia. And despite many attempts to tighten the sanctions, the process of extending the product list to GOES sheets is taking a long time.

Trends in the world economy and industrial production have been deteriorating from the second half of the second quarter, the entire macroeconomic environment is deteriorating, resulting in falling demand, high inventories and prices from China and Russia increasingly diverging from the rest of the world.

It was the large difference between domestic and import prices in Europe in the first half of the year that attracted the enormous amount of imported material. With regard to electrical steel, Asia is the most important source of demand, but also of supply, and consequently also prices depend in particular on the situation in the region. The lifting of the export rebate in China had a positive impact on prices outside of China, and difficulties in exporting due to logistics constraints in Asia further impacted on the international price environment.

Extension of protective measures for GOES sheets in Europe in January this year. there is currently no market dimension due to the separation of current market prices from the measures, which were extended through the expiry review procedure.

While in Europe last year the main topic was the departure from fossil fuels, and for producers the most important topics were Fit for 55, ESG, etc., the war in Ukraine completely changed the reality.

5.2 Profiles Segment

The Profiles Segment embraces the sales of cold formed profiles (tubes and sections) road safety barriers and hot-rolled and cold-rolled steel sheets and strips (products of steel service centers). These activities are pursued by the Stalprodukt S.A. production plants localized in Bochnia, Kraków and Tarnów.

The **Profiles Segment** recorded a decrease in quantitative sales compared to the first half of 2021, by 6.5%. At the same time, the segment's sales revenues were higher by PLN 159 821 thousand, i.e. by 36.7%. Additionally, the Segment recorded a result of PLN 69,553 thousand. In the first half of the year there was a short but significant change in market conditions. The maximum charge prices recorded in the third quarter of 2021 dropped significantly in the fourth quarter, and at the same time with the beginning of the first quarter of 2022, there was a slight shift in the trend to an upward trend, which accelerated with the outbreak of the war in Ukraine. The company continued cooperation with regular customers, meeting the agreed delivery terms. The segment worked smoothly throughout the six-month period, fulfilling the agreed contractual obligations. After the period of rising prices to historically record highs, the downward trend was reversed following the decline in hot and cold rolled sheets.

The sales structure has not changed significantly compared to the structure in the first half of 2021. Domestic sales constitute 69% (previously 72%) of total sales, exports 31% (previously 28%).

The Company's share in the apparent consumption of cold-formed sections in the country is estimated at around 28%, based on HIPH and KAS data. However, it is important that not all domestic producers report their production levels to HIPH.

The period of the first half of 2022 was a time of significant market volatility caused by the war in Ukraine and sanctions imposed on Russia. The market was highly unstable, moving from panic over the shortage of deliveries from eastern markets to curbing demand over concerns about the economy entering a recession. In the opinion of the Issuer, the final prices of products made of the segment's products, which exceeded the levels acceptable to the market, had a significant impact on the market, which resulted in a decrease in demand.

Market situation

The production of pipes in Poland in the period January - May 2022, according to HIPH data, amounted to 303 thousand tonnes (the decrease by 5%), including cold-formed sections, 122 thousand tonnes, which means a decrease by 14% compared to the same period in 2021.

Apparent consumption of pipes in the above period increased by 3% and amounted to 486 thousand tonnes, and the situation for individual product groups was different: in the case of seamless pipes there was an increase of only 0.02% (to the level of 87 thousand tonnes), in the case of welded pipes - an increase of 4% (399 thousand tonnes), the highest growth was recorded for cold-formed sections, at the level of 9% (210 thousand tonnes).

The export of pipes in the period January - May 2022 decreased by 1% and amounted to 235 thousand tonnes, with 72 thousand tons of exports (which means a decrease by 7%).

In the first six months of this year, 213 thousand tons of cold-formed hollow sections and pipes corresponding to our production. This result in terms of volume is 18% higher than in the corresponding period in 2021.

The current main directions of import (by country of shipment) are:
- for profiles with a wall thickness of more than 2 mm: Italy (30%), Romania and Belarus (12% each);
- for profiles with a wall thickness of less than 2 mm: Belarus (almost 30%), Ukraine (19%) and the Czech Republic (10%);
- for pipes with a diameter below 168.3 mm: Italy (27%), Ukraine and Romania (18% each) and Bulgaria (13%);
- for pipes with a diameter of 168.3mm to 406.4mm: Italy (34%), Russian Federation (15%) Ukraine (14%).

In the period January-May 2022, the average export price of cold-formed hollow sections was EUR 1,377 / ton (an increase by 60%) and the average import price EUR 1,174 / ton (an increase by 42%).

The situation on the global steel market

According to data from the World Steel Association World crude steel production amounted to 949.5 million tonnes in the first six months of 2022. This result represents a decrease by 5.5% (from 1,003.9 million tonnes recorded in the first half of 2021).

The largest steel producer, China produced 90.7 million tonnes in June, down 3.3% compared to the previous year and down 6.1% in the month to the lowest level in three months. Chinese production accounted for 57.4% of the total world crude steel production. Steel production in the first half of 2022 in China amounted to 526.9 million tonnes, down 6.5% year-on-year.

For the second month in a row, the world's second-largest steel producer, India, was the only producer in the top ten to see its production increase by 6.3% to 10 million tonnes in June, although production fell 6.2% a month to month. In the first half of the year, Indian production increased by 8.8% to 63.2 million.

According to the data, Japanese production in June was at the lowest level in four months at 7.4 million tonnes, down 8.1% over the year and 7.5% less than the seven-month high recorded in May.

Steel production in Europe in the first half of 2022

Across Europe, including the UK, crude steel production fell 11.9% year-on-year in June to 15.6 million tonnes, which was also 8.7% lower than the May peak. The volume in the first half of the year amounted to 97.7 million tonnes, which means a decrease by 5.9% compared to the previous year.

Germany, Europe's largest steel producer, saw crude steel production fall by 7% to 3.2 million tonnes in June, also down 1.5% from last month as high energy costs weakened demand and the automotive sector still affected by the ongoing shortage of semiconductor chips.

According to the data, Germany produced 19.6 million crude steel in the first half of the year, down 5.55% year on year.

Domestic hot rolled coil prices in Europe have been falling since the second half of March due to low demand.

Turkish steel mills crude steel production fell 13.1% year on year to 2.9 million tonnes in June. Production in the first half of the year fell by 4.6% to 18.9 million tonnes.

In Poland, the production of crude steel in the period from January to June 2022 amounted to 4 173 thousand tonnes, i.e. 3.5% less than in 6 months of 2021.

Steel pipe industry forecast for 2021-2022 (according to Eurofer Association)

After a rebound in 2021 (+ 10.9%) in production in the steel pipe sector, the sector is expected to develop very moderately in 2022 (+ 2%), and in 2023, the forecast is quite low (+ 1.4%).
In 2020, the production of the steel tube industry in the EU was heavily influenced by industrial downtime caused by the COVID-19 pandemic. As with other steel-using sectors, the rebound observed in the first three quarters of 2021 eased somewhat in the fourth quarter as a result of severe global supply chain problems. Disruptions related to the war in Ukraine further delayed ongoing projects and affected the availability of materials.

Eurofer predicts that in the long run, demand for large welded pipes from the oil and gas sector will not improve substantially due to the effects of war sanctions and the resulting disruptions in the oil and gas supply chain.
The recent recovery in world demand for oil and increases in oil and gas prices will not translate in the short term into accelerating the launch or implementation of new investments to transmit these utilities in Europe. On the other hand, demand from the construction sector is set to recover somewhat more strongly, while demand for pipes from the automotive and engineering sectors is projected to remain relatively weaker.
Moreover, the import pressure on the EU steel tube markets remains high, especially for this commodity grade material.

Referring to the situation in the closer environment, attention should be paid to another huge transfer of State Treasury funds for two companies of the Węglokoks Group, i.e .Huta Łabędy and Huta Pokój. Both companies competing with Stalprodukt turned out to be the main beneficiaries of the large government order. The Polish authorities decided in 2021 that the supply of steel profiles for the construction of the 187-kilometer dam on the Polish-Belarusian border would be provided entirely by Grupa Węglokoks.

Prospects for the steel market in the EU (according to Eurofer Association)

The results of the European Union steel sector in the first quarter of 2022 confirm a marked slowdown in the positive trend observed in 2021, reinforcing the worse outlook for the rest of the year, Eurofer reported in its latest report on 24.08.2022
Regional steel consumption is expected to decline for the third time in four years, this time by 1.7%, while the outlook for steel demand remains highly uncertain, driven by the ongoing energy crisis, inflation, supply chain disruptions and Russia's war in Ukraine. Import penetration remains high.

Steel consumption is expected to increase in 2023 (up 5.6%), but overall demand remains subject to high levels of uncertainty in steel-using sectors. This uncertainty will last at least until the first quarter of 2023, depending on the development of the Russo-Ukrainian war - which could not have been predicted at the time of writing earlier reports - and its impact on global supply chains, Eurofer said.

"The darker outlook for the steel market for the rest of 2022 is consolidating and is likely to have side effects in 2023 as well." - said Axel Eggert, CEO of Eurofer. *" We have been struggling with soaring energy prices and bottlenecks in supply chains for almost a year, and for six months we have been dealing with the tragic consequences of Russia's invasion of Ukraine. However, there is no indication that uncertainty will decrease in the near term, while EU steel imports remain significant: this is detrimental to a healthy EU steel industry. '*

Despite a significant 15.2% increase in apparent steel consumption in 2021, followed by a milder increase of 6.5% in Q1 2022 to 37.1 million tonnes in the quarter, this volume is still below its pre-2018 peak. A downward trend is expected by the end of 2022, resulting in a moderate recession and a further halving of production growth in steel-using sectors, where production is expected to increase by just 1.1% this year.

Participants said they saw production cuts as necessary to stabilize the slump, and that the rebates given by mills had little effect on trade.

The price of hot rolled sheets reached its peak on 18 March this year at EUR 1,460 / t, shortly after Russia's invasion of Ukraine on 24 February, which sparked fears and tensions in the markets.

Imports to the EU continued to grow significantly in Q1, growing by 28.8% year on year, although the pace was slower than in Q4 and Q3 2021 (respectively by 43.4% and 47.7% on an annual basis). Despite modest growth (up 0.4%) in the second quarter, import penetration has remained high in recent quarters.

A more nuanced picture of the steel-using sectors emerged in the first quarter. Overall production was clearly positive (an increase by 4.9% y/y), higher than in the previous quarter (an increase by 2.6% y/y), which was the fifth consecutive year-on-year increase. However, a closer look at individual sectors shows an unequal reality.

The favourable conditions experienced by construction, machinery and transport have been able to offset the negative effects of the automotive and household appliances industries, which have been hit in the first place by the current global challenges. However, the unfavourable conditions resulting from the ongoing war in Ukraine, with worsening supply chain problems, the energy crisis and high production costs, are expected to have a negative impact in the coming quarters also on those sectors that have been spared so far.

For this reason, the steel-using sectors production growth forecast for 2022 has been revised downwards by half compared to Eurofer's previous forecast, i.e. to 1.1% compared to the previous 2% growth forecast.

5.3 The Zinc Segment

The Zinc Segment embraces the operational scope of ZGH “Bolesław” S.A. along with its subsidiary companies, i.e. excavation of zinc and lead ores, zinc and lead production as well as related activities.

In the first half of 2022, the **Zinc Segment** 's net revenues amounted to PLN 1,376,871 thousand and compared to the corresponding period of the previous year, in which sales amounted to PLN 1,111,345 thousand, were higher by PLN 265 526 thousand, i.e. by 23.9%. At the same time, the segment saw a deterioration in the result, which fell from PLN 178,399 thousand up to PLN 83 763 thousand in the current period, i.e. by 53%. The segment's margin in the current period was 6.1%. The main factors influencing the margin reduction was a significant increase in the prices of energy carriers, in particular gas and fine coke. The estimated increase in the segment's costs compared to the operating conditions in the first half of 2021 is approximately PLN 100 million, most of which concerns Zink Mill Miasteczko Śląskie S.A.

SALE OF THE ZINC SEGMENT

- sales of zinc in the first half of 2022 amounted to 76.8 thousand tons and was lower by 7.5 thous. tons (-8.9%) compared to sales recorded in the first half of 2021;
- sales of silver (Dore's metal) in the first half of 2022 amounted to 305.2 thousand ounces and was lower by 237.7 thousand ounces (-43.8%) compared to recorded sales in the first half of 2021.
- sales of refined lead in the first half of 2022 amounted to 5.2 thousand tons and was lower by 1.5 thous. tons (-22.3%) compared to the same period in 2021.

In the first half of 2022, the revenues of the Zinc Segment are increased once by sales from the stock of mine concentrate (flotation galena) in the amount of 5.0 thous. tons.

The prices of basic metals for the ZGH "Bolesław" Group were as follows:

1st half of 2022

average zinc cash settlement price on the London Metal Exchange USD 3,832 per tonne

average lead cash settlement price on the London Metal Exchange USD 2,269 per tonne

average silver price on the London Bullion Market USD 23.61 per troy ounce (USD 771.8 per kg)

the average PLN/USD exchange rate (NBP) was 4.1260

1st half of 2021

average zinc cash settlement price on the London Metal Exchange USD 2,832 per tonne

average lead cash settlement price on the London Metal Exchange USD 2,072 per tonne

average silver price on the London Bullion Market USD 26.29 per troy ounce (USD 845.3 per kg)

the average PLN/USD exchange rate (NBP) was 3.7682.

The price of zinc, converted into PLN, was PLN 16,272 per tonne and was 52.6% higher than in the 1st half of 2021, when it averaged PLN 8,174 per tonne.

The price of lead, converted into PLN, was PLN 9,617 per tonne and was 23.3% higher than in the 1st half of 2021, when it averaged PLN 7,799 per tonne.

The price of silver, converted into PLN, was PLN 3,220 per kg, and was at a comparable level year on year - in the previous year on average PLN 3,185 / kg.

SMELTERS' PRODUCTION

- **zinc production reached 79,6 thousand tonnes** and was lower by 0,7 tonnes (-0.9%) compared to the 1st half of 2021.

- **refined lead production reached 8,0 thousand tonnes** and was lower by 1,8 tonnes (-18.1%) than in the 1st half of 2021.
- **silver production (Dore metal) reached 9,2 tonnes** and was lower by 7,1 tonnes (-43.3%) than in the 1st half of 2021.

Market situation

In April this year, the price of zinc reached over USD 4,500 / t and was close to the historic highs of 2006 and 2007. The high price of zinc has gone hand in hand with historic highs in the prices of other metallic raw materials. The main factor behind the sharp rise in metal prices was the outbreak of the war in Ukraine, which raised concerns about the availability of raw materials in a situation of a significant shortage of them at already high prices.

Then, after spikes, industrial metals prices went from boom to collapse in just three months. The LME index experienced its largest quarterly decline since the 2008 global financial crisis. The only metal to break out of this downtrend was lead, which has been in a steady uptrend since mid-2020.

High inflation and in response to it the rise in interest rates by governments as expected caused an outflow of capital from commodity markets towards safe financial instruments such as government bonds. With lower investor participation in the LME, market activities are increasingly dominated by short-term investment funds playing against falling prices.

Commodity investors who expect China to reverse the negative trend may be disappointed as the country will not be able to fuel a similar boom on its own to that which lasted in the last two years after the outbreak of the COVID-19 pandemic. Goldman Sachs says China's policy may contain the recent slump in the metals market, but overall there is caution about the outlook for demand in a country that accounts for about half of global metal consumption. According to the Lead and Zinc Study Group (ILZSG), despite the decline in global production of refined zinc in January-May 2022, the market generated a surplus of 29,000 tons, which, according to analysts, was due to a 1.7% drop in global demand. This drop in demand was caused by a reduction in demand from China as a result of lockdown related to COVID-19.

The unfavourable macroeconomic phenomena are counteracted by the situation related to the unusually low levels of inventories in LME warehouses, where at the end of June there were just over 696 thousand tonnes of registered metals (of which zinc stocks amounted to approx. 81 thousand tonnes), which is the lowest level in this century. Inventories halved in the first six months of the year, with the June figure plunging 1.67 million tonnes year on year.

This situation should not be reversed due to the pressure on producers resulting from rising energy prices and other costs. Recently, one of the main European zinc producers, Nyrstar, announced the suspension of production in one of its mills, which produced 315 thousand tons of zinc per year. The company has already cut production by up to 50% at its three European mills; Nyrstar did not identify the factors behind this decision, but electricity costs are expected to have increased tenfold, and labour, freight etc. Meanwhile, another major zinc producer in Europe, Glencore, warned in August that the current energy supply and price environment posed a serious threat to production. The production of refined zinc in European steel mills owned by Glencore fell by approx. 47 thousand tonnes. tonnes (i.e. up to approx. 351 thousand tonnes) in the first six months of 2022. This was mainly due to production limitations at the plant located in Italy. The other two mills - in Germany with a capacity of

165,000 tonnes per year and in Spain with a capacity of 510 thousand tonnes - still operational, but both plants adjust production volumes during periods of peak energy prices.

At the beginning of the year, the CRU forecasted a zinc deficit in 2022 at the level of 100,000. tonnes, and the current forecasts estimate the global deficit of refined zinc at the level of 250 thousand tons, of which 170 thousand tonnes is to result from production problems of mills.

According to the latest report published by ILZSG, in the first five months of 2022, there was an almost 2% decrease in global zinc production, mainly due to energy-related production problems of mills.

According to some analysts researching commodity markets, energy prices and its availability will have a key impact on the volume of zinc production in Europe, and it is this factor that may have a decisive impact on the level of zinc prices.

5.4 Segment pozostałej działalności Grupy

Segment pozostałej działalności Grupy nie stanowi wyodrębnionego segmentu zgodnie z MSSF 8, jest on jedynie uzupełnieniem do rachunku zysków i strat w zakresie przychodów z innych źródeł działalności obok 3 raportowanych segmentów operacyjnych. Obejmuje on sprzedaż produktów, towarów i usług realizowaną przez następujące podmioty: STP Elbud sp. z o.o., Cynk-Mal S.A., Stalprodukt-Zamość sp. z o.o. oraz Stalprodukt-Wamech sp. z o.o.

Przychody Segmentu pozostałej działalności wzrosły w raportowanym okresie o 52,1 %, a jego marża wyniosła 14,6 %.

5.4 Segment of other activities of the Group

The segment of the Group's other activities does not constitute a separate segment in accordance with IFRS 8, it is only a supplement to the profit and loss account in terms of revenues from other sources of activity, apart from the 3 reported operating segments. It covers the sale of products, goods and services by the following entities: STP Elbud sp. z o.o., Cynk-Mal S.A., Stalprodukt-Zamość sp. z o.o. and Stalprodukt-Wamech sp. z o.o.

The revenues of the other activities segment increased by 52.1% in the reporting period, and its margin amounted to 14.6%.

5.5 **The Group's Sales Structure as divided into operational segments**

Product range	**2021**		**2022**	
	value (PLN thousand)	share (%)	Value (PLN thousand)	share (%)
Electrical Steel Segment	452 654	21,1	860 742	28,2
Profiles Segment	435 553	20,3	595 374	19,5
Zinc Segment	1 111 345	51,9	1 376 871	45,1
CG's other activities	143 639	6,7	218 451	7,2
Total	**2 143 191**	**100,0**	**3 051 438**	**100,0**

6. A concise description of the Issuer's important accomplishments or failures in the reporting period, including the list of the most important events relating to the Issuer

- **obtaining an extension of the protection period for the European transformer sheets market for the next 5 years**

After many months of the procedure (the so-called "expiry review"), the Company managed to obtain a decision to extend the protection measures for the transformer sheet market for another 5 years. On 14 January, 2022, the COMMISSION IMPLEMENTING REGULATION (EU) 2022/58 was published, imposing a definitive anti-dumping duty on imports of certain grain-oriented flat-rolled silicon electrical steel products originating in the People's Republic of China, Japan, the Republic of Korea, the Russian Federation and the United States of America, following the review of expiration of funds, pursuant to Art. 11 sec. 2 of the European Parliament and Council Regulation (EU) 2016/1036. In the above-mentioned Commission Regulation there maintained the minimum import prices and price levels for individual product groups (differing in the level of magnetic loss), as set out in the original Implementing Regulation, i.e. 2015/1953 of 29 October 2015.

The review of expiration of funds procedure was carried out at the request of the EUROFER Association, representing 2 European grain oriented sheet producers, i.e. ThyssenKrupp Electrical Steel and Stalprodukt S.A.

Grain-oriented electrical sheets are a key component in the production of transformer cores. They are also essential for the maintenance and expansion of the EU energy network and for the further development of the e-mobility sector.

According to Axel Eggert, CEO of EUROFER: "The EU's energy security and climate goals can only be achieved by maintaining a viable European GOES industry." He also added that GOES is a strategic top-shelf product, and the European Union cannot be dependent on foreign steel mills located in Asia, Russia or the United States in terms of supplies.

In the opinion of the Stalprodukt Management Board, the current market price of grain-oriented sheets is significantly higher than the minimum prices specified in the Regulation, which means that the minimum price mechanism is currently irrelevant to the market. However, a drop in prices cannot be ruled out in the future. It is then that the minimum import prices should allow - European producers of transformer sheets, including Stalprodukt and its subsidiary GO Steel a.s. - maintain the profitability of sales of these products.

- **worsening of the general economic situation**

In the first half of 2022, a general weakening of the economic climate was noted, which was directly influenced by the Russian-Ukrainian war and its consequences. In Europe, after the increase in energy prices in the fourth quarter of 2021, the war and sanctions against Russia (coal, oil, selected groups of steel products) caused a further huge increase in energy costs. Another consequence of these increases was the sharp rise in inflation, which in turn significantly weakened consumer confidence.

Supply chain problems that affected operations throughout 2021 were not resolved or even deepened in the first half of 2022. Not only is there a shortage of drivers, but also in Poland, the flow of war-related goods (grain, coal, weapons) from / to Ukraine through Polish ports affects the transport possibilities for other industries, including steel.

- **limiting the impact of the COVID-19 pandemic on the activities of the Issuer and its Group**
  In the opinion of the issuer's Management Board, the COVID-19 pandemic did not have a significant impact on the entity and the Capital Group in the first half of 2022 and most likely this impact will remain insignificant in the near future.

- **limited influence of the war in Ukraine on the financial situation of the Group**
  - Stalprodukt S.A. and the companies of the Capital Group do not have any assets in Ukraine. The Stalprodukt company conducts commercial activities to a very limited extent with customers in Ukraine and Russia. The share of these customers in the Company's sales structure is insignificant. Sales value to the above-mentioned countries accounted for 0.22% in 2020 and 0.25% in 2021. For the first two months of 2022 until the beginning of the armed conflict, it accounted for 0.03% of sales revenues. The main direction of supply of charge materials for the Transformer Sheets Segment are mills belonging to the ArcelorMittal concern, located in Poland and Western Europe.
  - The Issuer only purchases the charge from mills in Ukraine and Russia (this applies only to the Profiles Segment). Purchases from the above-mentioned countries accounted for 5.94% in 2020 and 9.73% in 2021, respectively, of material purchases. For the first two months of 2022 until the beginning of the armed conflict, the value of purchases accounted for 5.96% of total material purchases.
  - At the same time, the zinc segment did not implement in 2021, and there are no signed contracts for the sale of its products for 2022 on the Ukrainian market. In turn, revenues from sales in 2021 to the markets of Russia and Belarus, involved in the armed conflict, accounted for approx. 1.2% of total sales in 2021. However, the share of this sale in the segment's revenues is very small. Thanks to diversified sales markets, an armed conflict should not affect sales and financial results in the long term. The zinc segment does not import raw materials for the production of its products from the above-mentioned countries, therefore it does not currently identify the risk related to the inability to obtain raw materials for the production of its products.
  - Moreover, the Management Board declares that as at the moment of submitting this report, there are no significant disruptions in the scope of: decrease in revenues, loss of clients or shortage of employees. The solvency, liquidity and collection of receivables also remain unchanged, and price fluctuations in the case of the zinc segment are secured in the form of forward transactions.
  - As at the date of this report, these are the only effects of the political and economic situation in Ukraine that may affect the Issuer's operations. Due to the high dynamics of the development of the situation, it is difficult to predict other possible financial consequences that may occur in the long term.

- **the negative impact of the war in Ukraine on the situation in the energy resources market**

  However, the war in Ukraine has a significant direct impact on the markets of energy resources. Sanctions imposed by the European Union on Russia with regard to the supply of cold gas, crude oil and coal, or restrictions on the export of these energy resources imposed by this country mainly on European Union countries, resulted in a sharp decrease in their availability and, consequently, a drastic increase in the prices of these raw materials. This, in turn, has a negative impact on the cost level of many companies, especially industrial ones. For some enterprises (e.g. from the chemical industry), this means the need to reduce production.

- **negative impact of CO_2 emission allowances**

  The persistently high level of CO_2 emission allowances also has a significant impact on energy costs (currently reaching a record level of EUR 100 per ton). Taking into account the commodity crisis caused by the war in Ukraine, many experts are calling for at least a temporary suspension of the emissions trading system (ETS), which would significantly reduce the cost of energy purchases.

7. Description of the basic threats and risks related to the remaining months of the financial year

Production costs, especially those related to the purchase of feedstock and energy carriers (especially electricity and gas), will be the greatest risk for the Stalprodukt Group. In the case of the Zinc Segment, the costs of energy purchase (electrolysis process in Huta Bolesław) and gas and fine coke (ISP process in Miasteczko Śląskie) are of particular importance.
Due to the uncertain situation regarding the availability of cold gas in the winter season, the risk of limiting supplies for industrial companies that would be affected in the first place by such limitations cannot be excluded.
Natural gas is also used in the processes used by Stalprodukt S.A. and GO Steel a.s. in the production of transformer sheets.

Other factors that may affect the results achieved by the Group in the perspective of at least until the end of the current financial year will 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
- prices of CO_2 emission allowances.

8. Management Board's Standpoint on Potential Realization of Previously Published Forecasts

The Capital Group does not publish any forecasts of financial results.

9. Indication of the Shareholders, holding directly or indirectly through the subsidiary companies, at least 5% of the general number of votes at the Issuer’s General Meeting as of the Semi-Annual Report’s date of issue, as well as indication of changes in the shareholding structure in respect of the Issuer’s substantial blocks of shares in the period pending from the submission day of the previous periodic report.

a) Shareholders entitled directly to at least 5% of the general number of votes at the General Meeting of Shareholders

- STP Investment S.A. holding 1,529,319 shares, accounting for a 27.41 %-share in capital and 4,375,691 votes, accounting for 35.87 % of the total number of votes at the General Meeting of Shareholders and through F&R Finanse sp. z o.o. 43,807 shares, accounting for 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,
i.e. the total 1,573,126 shares, accounting for a 28.19 %-share in capital and 4,419,498 votes, accounting for 36.23 % of the total number of votes at the General Meeting of Shareholders,

- FCASE Sp. z o.o. Sp. k. holding 243,410 shares, accounting for 4.36 %-share in capital and 1,217,050 votes, accounting for 9.98 % 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.

10. Compilation the Issuer's shareholding status or entitlements thereto exercised by the Issuer's managing or supervising officers as of the Semi-Annual Report's date of issue accompanied by the changes in the shareholding structure, in the period pending from the submission day of the previous periodic report, separately for each of the persons concerned

a) Managerial Officers

Name and surname	Updated number of shares of Stalprodukt S.A. (as of 31.08.2022)	Number of previously held shares of Stalprodukt S.A. (as of 13.05.2022)	Changes in the Issuer's Ownership Structure
Piotr Janeczek	115 053	115 053	Did not occur
Łukasz Mentel	100	100	Did not occur

b) Supervisory Officers

Name and surname	Updated number of shares of Stalprodukt S.A. (as of 31.08.2022)	Number of previously held shares of Stalprodukt S.A. (as of 13.05.2022)	Changes in the Issuer's Ownership Structure
Stanisław Kurnik	2 900	-	Did not occur

The remaining Members of the supervisory Board did not hold any shares of Stalprodukt S.A.

11. Indication of significant proceedings pending in court, agency proper for arbitration proceedings, or public administration agency, related to the liabilities or receivables of the Company or its subsidiary.

The significant proceedings pending in court is the case brought by Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. in Olkusz against the ZGH "Bolesław" S.A. Company for mining damages to be paid in the amount of PLN 64,015.224.00 (File No IX GC 99/14).

On 25.04.2018, the Regional Court of Cracow, 9th Economic Department (cases jointly designated with file No IX GC 543/13) issued judgements in the following cases regarding the subsidiary company, i.e. ZGH "Bolesław" S.A.:

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

On 13.03.2020 the Court of Appeal in Kraków issued the judgement in the case with ref.no AGa 527/18, between ZGH "Bolesław" S.A. and Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o. o. in Olkusz, in which it dismissed the appeal of ZGH "Bolesław" S.A. against the judgement of the Regional Court in Krakow of 25.04.2018 to the case with reference number IX GC 543/13, as well as ordered that the ZGH "Bolesław" S.A. shall pay the costs of proceedings at law in the amount of PLN 8,100 for the benefit of Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. Consequently, the ruling of the Regional Court is final and binding.
The above status means that at the moment it has been ruled by a legally-binding decision that ZGH "Boleslaw" S.A. is liable for damages to the Przedsiębiorstwo Wodociągów i Kanalizacji for the consequences in terms of water relations, connected to the future exclusion of the Mine Olkusz Pomorzany drainage and due to this, the discontinuation of water supply to their channels and for possible groundwater pollution.

On July 28, 2020, the company ZGH "Bolesław" S.A. filed a cassation appeal against the above judgment. The Supreme Court in Warsaw By a decision of January 27, 2021, refused ZGH "Bolesław" S.A. accepting a cassation appeal for examination. In this state, the case will be reviewed by the District Court, which will determine the amount of compensation.

On September 16, 2021, the Order of the District Court, IX Commercial Division in Kraków, of August 30, 2021, was submitted, obliging PWiK Sp. z o.o. to submit a pleading within one month from the delivery of a copy of this ordinance, and ZGH "Bolesław" S.A. to submit, within one month from the date of delivery of the copy of the pleading from PWiK Sp. z o.o.
On November 15, 2021. ZGH "Bolesław" S.A. issued a letter to the Court with a request to oblige PWiK sp.z o.o. to submit to the Court and the party documents and information related to the technical operation of the water supply network. The District Court, by order dated 10 December 2021, granted the request and obliged PWiK sp. z o.o. to submit such information or submit a letter that he will not submit it. From the substantive point of view, it is important that in the letter referred to above, PWiK sp. z o.o. limited the claim by approx. 10,000 thousand PLN and is currently demanding the amount of PLN 54 839 thousand.
On December 10, 2021, a pleading from PWiK Sp. z o.o. was received. It does not contain the information requested by ZGH "Bolesław" S.A. in a letter of November 15, 2021. In this state, the

preparation of the pleading / pleadings containing the current position of ZGH "Bolesław" S.A. is underway.

On February 28, 2022, ZGH Bolesław S.A. submitted their position on the matter. The letter contained a motion to dismiss the claim, as well as formal and evidentiary motions. The basis for submitting a motion to dismiss the claim is the indication that PWiK sp. z o.o. has not suffered any damage in terms of civil law, i.e. there has been no financial loss. Further allegations were raised, boiling down to the fact that the possible damage may not be the own expenditure on the investment made, and there is no damage in the scope of the so-called stage II, where no expenses were incurred, and their incurring is not settled and justified. On March 17, 2022, PWiK sp. z o.o. submitted another letter in the case. On April 5, 2022, the District Court in Krakow called on the parties to the dispute to consider mediation in the case.

Moreover, it should be mentioned that the above-mentioned judgment is directly related to the issue of contingent liabilities related to the acquisition of ZGH "Bolesław" S.A., which was described in detail in the consolidated financial statements of Stalprodukt S.A. for 2013 (point 11. Settlement of the purchase price of ZGH "Bolesław" S.A.). This amount was presented in the balance sheet as at December 31, 2013 in the item "contingent liabilities due to the purchase of ZGH" Bolesław "S.A." As of March 31, 2022, the amount of provisions in the subsidiary and at the level of the consolidated financial statements covers 100% of the amount of the lawsuit.

12. Information on a transaction or many transactions concluded by the Issuer or the Issuer's subsidiary with associated companies if such transactions were based on conditions other than market conditions.

The transactions with associated companies in the 1st half of 2022 are concerned with:

- sales of products and goods to the companies within the Stalprodukt Capital Group,
- rendering services to Stalprodukt S.A. by its subsidiary companies.

Detailed data was disclosed in the financial statements

It should be stressed that these were typical and routine transactions, arising from the on-going operating activities and rendered on a continuous basis. These transactions are based on market conditions.

13. Information on credit or loan sureties or guarantees granted by the Issuer or the Issuer's subsidiary – jointly to one entity or a subsidiary controlled by the entity if the total value of the existing sureties or guarantees is significant.

In the reporting period, the Stalprodukt Company and its subsidiary companies did not grant any loans or credits, guarantees or sureties, jointly amounting to at least 10 % of the Issuer's equity.

14. Other information that, in the Issuer's opinion, are essential for the assessment of the situation in the area of human resources, property and financial standing, financial result and changes thereof, as well as information that are essential for the assessment of the Issuer's capacity to settle its liabilities.

All the information essential for the assessment of the staffing, property and financial standing, financial result and changes thereof and essential for the assessment of the Group's capacity to settle its liabilities, are included herein or in the „Additional Information" sheet.

15. The factors, that in the Issuer's assessment, are likely to affect its results in the perspective of, at least, the next quarter.

In the Issuer's assessment, the factors likely to affect the Group's results in the perspective of, at least, 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
- prices of electricity and energy raw materials,
- price formation and gas availability,
- prices of CO_2 emission allowances.

16. Composition of Management Board's and Supervisory Board

<u>Management Board Composition</u>

In the period from 1 January 2022 to 30 June 2022, the Stalprodukt Management Board was composed of:

Piotr Janeczek - President of the Board
Łukasz Mentel - Member of the Board

<u>Supervisory Board Composition</u>

In the period from 1 January 2022 to 30 June 2022, the Stalprodukt Supervisory Board was composed of:

Stanisław Kurnik - Chairman of the Supervisory Board
Sanjay Samaddar - Vice-Chairman of the Supervisory Board
Magdalena Janeczek - Secretary
Agata Sierpińska-Sawicz - Member
Romuald Talarek - Member

The present Report on the Activities of the Stalprodukt S.A. Capital Group was approved for publication by the parent company's Management Board on 31.08.2022.

....	....
Łukasz Mentel	Piotr Janeczek
Member of the Management Board – Financial Director	President of the Management Board – CEO

Bochnia, 31 August 2022