

**Report of the Management Board on
Activities
of Stalprodukt S.A. Capital Group
and the Parent Company
in the period from 1.01.2017 to 31.12.2017**

Bochnia 2018

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Pertaining to article 55 sec. 2a sentence 2, article 55 sec. 2b and article 49b sec. 1 of the Accountancy Act of 29 September 1994, the report of the Management Board of Stalprodukt S.A. Capital Group and the parent entity (Issuer), that is Stalprodukt S.A., together with a separate statement on non-financial information and statement of Stalprodukt S.A. Capital Group on non-financial information was prepared in form of one document.

Part I. Information on main areas of business of Stalprodukt S.A. and the Capital Group

1. Introduction

1. Stalprodukt S.A. Capital Group consists of the parent entity and 10 subsidiaries that operated in the business segments listed below :

- **Stalprodukt-Centrostal Kraków sp. z o.o.** - wholesale and retail sales of metal products
- **Stalprodukt-Wamech sp. z o.o.** - production of structures and spare parts, and rendering repair services
- **Stalprodukt-Serwis sp. z o.o.** - repair services
- **Stalprodukt-Zamość sp. z o.o.** - manufacturing of woodwork and trading in metallurgical products
- **Stalprodukt-MB sp. z o.o.** - construction and maintenance of roads, assembly of safety road barriers
- **STP Elbud sp. z o.o.** – manufacturing of steel structures and galvanizing services
- **Stalprodukt-Ochrona sp. z o.o.** - security services
- **Cynk-Mal S.A.** - manufacturing of galvanized steel and galvanized wire
- **ZGH „Bolesław” S.A.** - mining of non-ferrous metal ores, production of zinc and lead, processing and recycling of zinciferous materials, and production and sales of non-ferrous metal concentrates
- **Anew Institute sp. z o.o.** - designing renewable energy sources.

The parent company's shares in subsidiaries amount to:

- in ZGH "Bolesław" – 94.59 %
- in other subsidiaries – 100 % of shares in each of them.

Moreover, as at 31.12.2017 ZGH "Bolesław" S.A. has the shares in the following subsidiaries (ZHG's share in the share capital of such subsidiaries given in brackets):

- Huta Cynku Miasteczko Śląskie S.A. (92,78%) – manufacturing of rectified zinc, lead and cadmium,
- Boltech sp. z o.o. (100 %) – energy, laboratory, mechanical and construction, equipment and forwarding services, production of dolomite crushed stone, zinc products and zinc alloys,
- Gradir Montenegro d.o.o. (99.61 %) – mining of zinc ores and production of concentrate,
- Karo sp. z o.o. (100 %) – security services.

ZGH "Bolesław" S.A. has also 19.68 % shares in F&R Finanse Sp. z o.o. (from 2014 Bolesław Recycling Sp. z o.o., subsidiary of ZGH "Bolesław" S.A. was one of its subsidiaries. After merger of the two entities as at 3.04.2017, shares of Bolesław Recycling Sp. z o.o. in F&R Finanse Sp. z o.o. were taken over by ZGH "Bolesław" S.A.).

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Furthermore, Boltech Sp. z o.o. had 99.71 % of share capital in Przedsiębiorstwo Robót Drogowych Olkusz S.A.

2. Sales of Stalprodukt S.A.'s core operational segments results of the segments

2.1 Electrical Steel Segment

The Electrical Steel Segment consists of sales of electrical transformer steel sheets and cores executed by Stalprodukt S.A.

a) Transformer steel sheets and bands

In 2017 the sales of transformer steel sheets was by 3.4% bigger as compared to 2016 in respect to the volume and by 6.1% smaller in respect to the value.

The result achieved on the domestic market was lower by 13.5% than in the same period of year 2016. Domestic sales in 2017 accounted for 6.4% of the total sales of transformer steel sheets. The Company estimates that this result translates into ca. 21% share of Stalprodukt in the apparent consumption of transformer steel sheets in Poland.

Imports of transformer steel sheets to Poland during 12 months of 2017 grew by 1% as compared to the same period of 2016 and amounted to ca. 18 thousand tons. Both, the value and prices of imported materials fell by ca. 13%.

The main directions of imports of transformer steel sheets to Poland (according to the country of origin) in 2017 were:

Japan (63%), Italy (13%) and France (10%).

Table 1. Comparison of sales of transformer steel sheets and bands

Specification	Volume (Mg)			Net value (PLN thousand)		
	2016	2017	2017/2016 (%)	2016	2017	2017/2016 (%)
Country	5 318	4 932	-7.3	38 340	33 179	-13.5
Exports	77 136	80 286	4.1	514 509	485 975	-5.5
Total	82 454	85 218	3.4	552 849	519 154	-6.1

Competitive situation

After more than one year of stagnation and decrease of prices from January, the situation in the transformer steel sheet industry has started improving. The first sign of reverse movement came from China, where the price grew in total by CNY 700 (that is USD 101) during the first three weeks of the new year.

In total, during this two months, the price grew by CNY 1150 (USD 167).

The positive trend resulted in price negotiations for deliveries of GO material in the second half of the year.

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Warehouses of the majority of recipients were emptied almost completely, which offered opportunity for further price increases.

Price movements in Europa was insignificant. In practice, the movements were observed within the range of the applicable minimum prices (so called MIP), which have been established by the European Committee as result of the anti-dumping proceedings. However, it should be pointed out that on the price level on the protected markets (Europe, USA) is significantly higher than on the other markets. As compared to the other markets, the price differences in the US amount even to 30%.

In the European market, the negotiations about merger of TATA Steel and ThyssenKrupp continue. In December, the employees of ThyssenKrupp, German steel producer, voted for adoption of terms and conditions offered by the company, which means that they agreed for a joint venture with the European part of Tata Steel.

In the recent years the world market has been exposed more to the expansive trade policy of the Asian producers. The biggest concern refers to Chinese exports since due to its large overproduction, it disturbs the balance on the global electric sheets. In practice, the Chinese internal market is closed due to anti-dumping sanctions, but it is a dynamically developing market.

Europe has received information from the Asian market that it becomes increasingly more interested in high grade products (HGO), in result of which their share in total consumption of sheet has been growing. However, since the majority of the leading producers focus on HGO products, conventional materials begins to be missing on the market. A difference between HGO and CGO prices amounts no to ca. USD 600, and any increase of this difference may entail changes in customer strategies and partial transfer to lower quality products.

But it is not possible to claim that it will surely happen in the future. Still, due to a wide product range, the Company can be flexible in its reaction to the market situation.

b) Toroidal cores

A growth of 1.4 percentage points was achieved in sales of transformer core in respect to their volume and a growth of 10.8 percent in respect to the value of sales.

Significant growth was observed in the domestic sales (+40.1%) and resulted mainly from performance of the contract on sales of highly processed products, that is wound cores and cut and impregnated Unicores for LEF Poland company.

The differences in volume, value and prices had no impact on changes in the items of the product range in the total product structure, since the share of cores still accounts for 1% of total revenues from sales.

Comparison of sales of transformer cores

Specification	Volume (Mg)			Net value (PLN thousand)		
	2016	2017	2017/2016 (%)	2016	2017	2017/2016 (%)
Country	368	474	28.8	4 143	5 805	40.1
Exports	639	547	-14.4	6 051	5 485	-9.3
Total	1007	1021	1.4	10 194	11 290	10.8

Competitive situation

Due to access to cheaper products than offered by Stalprodukt (toroidal cores) and an opportunity to by cheaper steel sheet (non-graded, tips of sheet coils) for core production, customers place less orders for toroidal cores. Completely different situation is observed in case of more technologically advance cores (rectangular cores or Unicors, cut, impregnated cores) and cores made of low-loss materials. In case of this type of cores, Stalprodukt's offer is still attractive.

In the first half of 2018, the demand and sales structure of cores will remain on the same level.

2.2 Bent Profile Segment

The Bent Profile Segment covers sales of cold-bent profiles (pipes and profiles), security road barriers and hot- and cold-rolled steel sheets and bands (products of service centres). These activities are performed by Stalprodukt S.A.'s production plant in Bochnia, Kraków and Tarnów.

a) Cold-bent profiles

In 2017, almost 205 thousand tons of profiles and pipes were sold. This result means a decrease of more than 14 percent in the volume and more than 8 percent growth in value of sales as compared to the previous year. It is the direct result of significant growth in prices in 2017.

On the basis of the data of the Analytical Centre - the Tax Administration Chamber in Warsaw and HIPH, the Company estimates that its share in the apparent consumption of cold-bent profiles on the domestic market amounts to ca. 30%.

Presented sales results were achieved in the following market conditions (on the basis of HIPH's information for period of January - November 2017):

- **decrease in production of cold-bent profiles in Poland by 20%** - to the level of **333** thousand tons;
- **growth of apparent consumption of pipes by 8%** in the period of January- November 2017 (to the level of **1 130** thousand tons), including decrease in apparent consumption of cold-bent closed profiles by 11% (to the level of 449 thousand tons);
- **growth of import of cold-bent closed profiles by 8%. The import level in the period of January-November was equal to 225 thousand tons**, and the main directions of import were: Italy (27%), Ukraine (17%), Turkey (6%), Germany (6%), Belarus (5%), Czech Republic (5%).
- **decrease of exports of cold-bent closed profiles by 10%** (109 thousand tons in the period of January - November 2017).

In respect to export sales of profiles and pipes, Stalprodukt recorded significant growth in the value of sales (21.7%) in case of similar volume of sales. The share of export sales in the total sales of cold-bent profiles (in respect to the value of sales) accounts now to ca. 30%. Significant decrease in the volume sold in Poland (almost 1/5 as compared to 2016) had no negative impact on the value of sales, that grew by 3.1%.

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Comparison of sales of cold-bent profiles

Specification	Volume (Mg)			Net value (PLN thousand)		
	2016	2017	2017/2016 (%)	2016	2017	2017/2016 (%)
Country	176 782	144 640	-18.2%	364 088	375 371	3.1%
Exports	59 370	59 454	0.1%	139 663	169 938	21.7%
Total	236 152	204 094	-13.6%	503 751	545 308	8.2%

Sales to commercial companies

Domestic sales was executed in 74 % by distribution company Stalprodukt-Centrostal Kraków Sp. z o.o.

Situation on the market of cold-bent profiles

- Production of steel pipes in the UE

Steel pipe industry recorded positive results in 2017 (on the basis of data, which are currently available for that period). It should be remembered, however, that this growth results partially from a low base in reference to the production levels in the respective periods of 2016.

Production of steel pipes in the UE grew by 8.4% y/y in the third quarter of 2017. Steel pipe producers benefited from full portfolios of orders, and the growth in production was particularly intensive in Germany and Spain. The key factor contributing to maintenance of good results in the EU sector of steel pipes was a large number of projects executed on the international market of pipelines and related portfolios of orders placed with the main producers of welded pipes in the UE.

The next factor was the improvement of business conditions in segments of small and medium-sized recipients of welded pipes in such industries as construction industry, mechanical engineering, automotive industry and other transportation equipment, and metal goods industry. Good economic conditions are expected to have remained in the fourth quarter of 2017. The production activities in the steel pipe sector in the UE were estimated to grow by further 5.2% y/y in that period.

The total production of pipes in the EU was estimated to grow by 8.3% in 2017, which means the best annual volume of steel pipe production in the EU since 2012.

In our close environment, the pipe sector companies also experience improvement of the market situation. It is reflected by revived demand in energy industry, investments in the development of the transfer infrastructure, as well as improved condition of construction industry.

The biggest competitors of Stalprodukt on the Polish market include: Marcegaglia, Huta Pokój, Severstal and Huta Łabędy (a new actor on the market of steamed steel pipes).

b) Security road barrier

The result on sales of security road barriers in 2017 was by 30.2% better than in 2016 in respect to value and by 13.2% better in respect to volume.

Good result is the effects of significant improvement of activities on the domestic market (53.1% of value growth and 35.6% growth of sales volumes), where several large contracts were executed in the same time under the new EU budget perspective. A few large projects were completed, including for instance S7 Jędrzejów – border of Małopolskie Voivodeship, S3 Sulechów – Zielona Góra, S5 Korzeńsko – Widawa, sections 1 and 3 or Ring Roads of Gorzów Wielkopolski, Jarocin and Ostrów Wielkopolski.

Sales to export market showed opposite tendencies. Decrease in both, the volume (25.7%) and value of sold material was recorded (14.2%).

The decrease results mainly from periodical nature of executed road projects. In 2017 it referred mainly to Slovakia and Denmark, where barriers had been delivered by Stalprodukt under a few large road projects in the earlier years.

The volume of sold barrier on the other markets was similar to the volume recorded in 2016.

Comparison of sales of road barriers

Specification	Volume (Mg)			Net value (PLN thousand)		
	2016	2017	2017/2016 (%)	2016	2017	2017/2016 (%)
Country	12 435	16 860	35.6	51 294	78 519	53.1
Exports	7 151	5 314	-25.7	26 481	22 729	-14.2
Total	19 586	22 174	13.2	77 775	101 249	30.2

Competitive situation

The current portfolio of orders to be fulfilled by the Company in years 2018 - 2019 exceeds 25 thousand tons and has remained still on a very high level for a few months despite fulfilment of a very large number of orders in 2017. Due to increasingly growing number of road and bridge projects, whose execution will commence in Poland in years 2018 - 2019, the volume of orders is expected to remain on the same level throughout entire year 2018.

Saferoad is still the biggest competitor of Stalprodukt S.A. on the European market. Moreover, in 2017 Stalprodukt competed on the Polish market with Prowerk company and Russian KTC. On the Baltic markets we can observe Turkish competitors, which offer very light systems characterised by containment level N2.

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c) Products of sheet service centre

In 2017, the sales of sheet amounted to slightly more than 25 thousand tons for almost PLN 64 million, which translated into decrease of the volume by more than 30% as compared to the previous year and decrease of the value of sales by almost 10%.

Sales of the products of sheet service centre

Specification	Volume (Mg)			Net value (PLN thousand)		
	2016	2017	2017/2016 (%)	2016	2017	2017/2016 (%)
Country	31 396	21 293	-32.2	59 846	53 503	-10.6
Exports	4 861	3 798	-21.9	10 686	10 315	-3.5
Total	36 257	25 091	-30.8	70 532	63 818	-9.5

Competitive situation

Growth of steel prices contributed to the improvement of the condition of service centres. The representatives of the industry experienced further market stabilisation in 2017. Despite revival, due to high overcapacity, companies are very cautious about investments.

The European Steelworks Association EUROMETAL informed that deliveries of flat products grew slightly among European distributors in 2017. The stock level y/y remained unchanged, but certain changes were observed in case of individual products.

Steel service centres in the EU recorded a slight growth of deliveries (by 0.2%) at the end of 2017. During the year, the growth was observed for five months. In general, the positive tendency was observed for hot- and cold-rolled sheet, and also for galvanized and other coated sheet.

d) The segment of the Company's other operations

It consists of sales of goods and materials, and services rendered by Stalprodukt S.A.

Total revenues from this activity amounted in 2017 to PLN 70 382 thousand and they were by 33 percent higher than in 2016.

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OPERATIONAL SEGMENTS OF STALPRODUKT S.A.				
Electrical Steel Segment		2016	2017	Change (2017/2016)
Revenues of the segment	PLN thousand	563 042	530 443	-5.8%
Result of the segment	PLN thousand	119 147	46 875	-60.7%
Segment margin	%	21.16%	8.84%	
Profile Segment				
Revenues of the segment	PLN thousand	652 076	710 402	8.9%
Result of the segment	PLN thousand	36 358	7 029	-80.7%
Segment margin	%	5.58%	0.99%	
The segment of the other operations of Stalprodukt S.A.				
Revenues of the segment	PLN thousand	52 905	70 382	33.0%
Result of the segment	PLN thousand	2 185	4 116	88.4%
Segment margin	%	4.13%	5.85%	
Total operational segments				
Revenues of the segments	PLN thousand	1 268 023	1 311 227	3.4%
Results of the segments	PLN thousand	157 690	58 020	-63.2%
Segment margin	%	12.44%	4.42%	

Total revenues of the operational segments of Stalprodukt S.A. amounted in 2017 to PLN 1,311.2 million and were by 3.4 % higher than in 2016. Total result of the segments in this period amounted to PLN 58.0 million, which means a decrease by 63.2 percent to the previous year.

Sales structure of Stalprodukt S.A.'s operational segments

Segment	2016		2017	
	Value (PLN thousand)	share (%)	value (PLN thousand)	share (%)
Electrical Steel Segment	563 042	44.4	530 443	40.5
Bent Profile Segment	652 076	51.4	710 402	54.2
Other operations of Stalprodukt S.A.	52 905	4.2	70 382	5.3
Total	1 268 023	100.0	1 311 227	100.0

In an analysis of the structure of sales of the parent entity, Stalprodukt S.A., in 2017, one should emphasize decrease of the share of sales of the Electrical Sheet Segment from 44.4 percent to 40.5 percent, that is by 3.9 percentage points. The share of the Profile Segment and the Segment of other activities grew in the same time from 51.4 percent to 54.2 percent and from 4.2 percent to 5.3 percent, respectively.

3. Sales of individual operational segments of the Capital Group. Results of the segments

3.1 Electrical Steel Segment

Taking into account the revenues of the entire Capital Group, it should be mentioned that revenues from sales of the Electrical Sheet Segment are the same as in case of the data presented for the parent entity (sec. 2.1 of this Statement).

3.2. Profile Segment

The revenues of the Profile Segment, on a consolidated basis, include exclusion of sales to the subsidiary company, that is Stalprodukt-Centrostal Kraków Sp. z o.o. On a consolidated basis, differences are observed only in case of cold-bent profiles (see the table below).

Specification	Volume (Mg)			Net value (PLN thousand)		
	2016	2017	2017/2016 (%)	2016	2017	2017/2016 (%)
Country	169 444	146 772	-13.4%	373 037	399 808	7.2%
Exports	59 370	59 454	0.1%	139 663	169 938	21.7%
Total	228 814	206 226	-9.9%	512 700	569 746	11.1%

In case of other products in the Profile Segment, the sales executed on a consolidated basis was the same as in case of the parent entity (sec. 2.2. subsection b) and c).

Taking the foregoing into account, the total revenues of this Segment of the Group amounted in 2017 to PLN 736.5 million, which means a growth by 11.4 percent as compared to 2016.

2.3 Zinc segment

The Zinc Segment covers the scope of activities of ZGH "Bolesław" S.A. together with subsidiaries, that is zinc and lead ore mining, and zinc and ore production, as well as related activities.

Sales specification cover the main products (zinc, lead, lead concentrate, Dore metal), that are produced by the companies belonging to the Group, whose activities are connected with this segment of operations.

a) Zinc and zinc alloys

In 2017 the sales volume of zinc and zinc products remained on the same level as in 2016, the volume of domestic sales grew by 15.9%, while export sales decreased by 19.7%.

Revenues from sales of products in 2017 were by 29.2 % higher than in the previous year due to significant growth of zinc prices.

Share of zinc in the revenues from sales of the products in the Zinc Segment amounts to 85%.

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Zinc Z1 is used mainly as protection of surfaces against corrosion through hot dip, electrolytic galvanisation. Zinc alloys are used in continuous casting lines or high-pressure casting lines, which are applied in the automotive industry, construction industry and household appliances industry.

Due to higher lead contents, zinc Z5 is used for production of brass, bronze, and in galvanizing units, as a cheaper substitute or supplement of zinc Z1.

Comparison of sales of zinc and zinc alloys

Specification	Volume (Mg)			Net value (PLN thousand)		
	2016	2017	2017/2016	2016	2017	2017/2016
Country	87 312	101 187	15.9%	789 416	1 172 547	48.5%
Exports	71 400	57 306	-19.7%	631 024	662 144	4.9%
Total	158 712	158 494	-0.1%	1 420 440	1 834 691	29.2%

b) Lead

Refined lead

The sale volume of refined lead in 2017 was by 7.1 % lower than in the previous year. The growth of prices on the market by 18% in 2017 raised revenues from sales by 7.6% as compared to 2016, which covered the decrease in sales volume.

Refined lead is used mainly for production of vehicle batteries and traction batteries, as well as for production of lead oxides used among others for production of paints and varnishes, and to a minimum extent - for production of lead alloys.

Refined lead is also raw material used for production of sheet, wire, ammunition and cables.

Table 10. Comparison of sales of refined lead

Specification	Volume (Mg)			Net value (PLN thousand)		
	2016	2017	2017/2016	2016	2017	2017/2016
Country	6 529	8 519	30.5%	53 298	77 656	45.7%
Exports	6 551	3 627	-44.6%	50 073	33 601	-32.9%
Total	13 080	12 146	-7.1%	103 371	111 257	7.6%

c) Lead concentrate

The lead concentrate produced by ZGH "Bolesław" (ca. 76% of production of this concentrate in the CG) and in "Gradir Montenegro" in Montenegro (ca. 24% of production) is a concentrate with 62% lead contents. The production volume depends on ore mining and lead contents in ore. Due to exhaustion of ore resources in "Olkusz-Pomorzany" mine, the volume of production and sales decreases systematically.

But the volume of production and sales of concentrates in "Gradir Montenegro" increases.

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The decrease of the volume of sales of lead concentrate was not covered fully by an increase of lead prices in 2017, and therefore revenues from sales of lead concentrates fell by 7.5% as compared to the previous year. The entire lead concentrate is exported.

Share of lead (refined and lead concentrates) in revenues from sales of products amounts to 8%.

Comparison of sales of lead concentrate

Specification	Volume (Mg)			Net value (PLN thousand)		
	2016	2017	2017/2016	2016	2017	2017/2016
Country	0	0		0	0	
Exports	20 356	15 368	-24.5%	69 847	64 586	-7.5%
Total	20 356	15 368	-24.5%	69 847	64 586	-7.5%

d) Dore metal

Dore metal produced by HC "Miasteczko Śląskie" is high-quality usable waste generated during lead refining, that may be used for further processing only. It is an alloy with high silver content.

Production volume depends on contents of such metals in the feedstock. In 2017 as compared to 2016, decrease of sales volume by almost 10% and decrease of silver price on the Polish market by 5% entailed a fall of the revenues by 13%.

Share of silver in the revenues from sales of the products in the amounts to 2%.

Comparison of sales of Dore metal

Specification	Volume (Mg)			Net value (PLN thousand)		
	2016	2017	2017/2016	2016	2017	2017/2016
Country	24	22	-9.7%	53 067	46 141	-13.1%

e) Other products of ZGH Group

The following other products, whose sales is included in the Zinc Segment should be mentioned:

- Sulphuric acid**

The acid is produced in ZGH "Bolesław" and Zinc Works "Miasteczko Śląskie" as a by-product of roasting of sulphide concentrate. The volume of production and sales of sulphuric acid decreases due to growing use of cheaper oxide materials for zinc production.

Among recipients of acid, there are both domestic and foreign counterparties.

Sulphuric acid is very important for various branches of industry. It is used, among others, for production of other acids, for production of dyes, synthetic fibres, explosives, artificial fertilisers. It is used for production of washing detergents, medicines and as an electrolyte in lead batteries. . It is a frequently used reagent in laboratories.

- **Dolomite crushed stone**

Dolomite crushed stone is produced by a subsidiary, Boltech Sp. z o.o., on the basis of dolomite produced as by-product in the process of initial ore enrichment in "Olkusz-Pomorzany" mine. The production volume falls down systematically.

The main recipients of crushed stone are road contractors, plants producing mineral-bitumen mastics and producers of precasts.

- **Recycling services of zinciferous materials**

Zinciferous materials are recycled by Zinc Works "Miasteczko Śląskie" and since 2017 ZGH "Bolesław", because it acquired "Bolesław Recycling" company. Waelz process (in ZGH) is focused in two streams of waste. The first one consists of waste from zinc hydro-metallurgy, while the other main stream of waste is the steel-making dust generated in the process of steel production in electric arc furnaces.

The oxide derived from steel-making dust is used as feedstock in zinc production in ZGH „Bolesław”, while oxide from sludge processing is used as feedstock HC "Miasteczko Śląskie" for zinc and lead production.

In the analysis of the territorial structure of sales of all products in the Zinc Segment it should be stated that the share of export sales in 2017 fell to the level of 32%. In 2016 it amounted to 48%.

Total revenues from sales in the Zinc Segment in 2017 amounted to PLN 2 005.2 million and were by 18% higher than the revenues earned in 2016.

Note:

The differences in the value of sales of goods in the Zinc Segment between this report of the Management Board and the consolidated financial statement are due to the fact, that the financial statement includes adjustments related to collateral transactions.

2.4 Other activities

The Segment of other activities consists of sales of products, goods and services performed by the following entities: STP Elbud Sp. z o.o., Cynk-Mal S.A., Stalprodukt-Zamość, Stalprodukt-Serwis Sp. z o.o., Stalprodukt-Wamech Sp. z o.o. oraz Stalprodukt-MB Sp. z o.o. Total revenues from sales in this segment amounted in 2017 to PLN 229.0 million, which translated into a growth of 5.5 % as compared to 2016.

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CG's OPERATIONAL SEGMENTS				
Sheet Segment		2016	2017	Change (2017/2016)
Revenues of the segment	<i>PLN thousand</i>	563 042	530 443	-5.8%
Result of the segment	<i>PLN thousand</i>	119 147	46 875	-60.7%
Segment margin	%	21.2%	8.8%	
Profile Segment				
Revenues of the segment	<i>PLN thousand</i>	661 025	736 478	11.4%
Result of the segment	<i>PLN thousand</i>	44 620	16 801	-62.3%
Segment margin	%	6.8%	2.3%	
Zinc segment				
Revenues of the segment	<i>PLN thousand</i>	1 699 793	2 005 191	18.0%
Result of the segment	<i>PLN thousand</i>	370 192	404 082	9.2%
Segment margin	%	21.8%	20.2%	
Segment of other activities of the Capital Group				
Revenues of the segment	<i>PLN thousand</i>	217 075	228 978	5.5%
Result of the segment	<i>PLN thousand</i>	28 521	18 962	-33.5%
Segment margin	%	13.1%	8.3%	
Total operational segments				
Revenues of the segments	<i>PLN thousand</i>	3 140 935	3 501 090	11.5%
Results of the segments	<i>PLN thousand</i>	562 480	486 720	-13.5%
Segment margin	%	17.9%	13.9%	

Total revenues of operational segments of Stalprodukt Capital Group in 2017 amounted to PLN 3 501.1 million, which means their increase by 11.5 % as compared to 2016. The total result of the segments amounted in this period to PLN 486.7 million and was by 13.5 % lower than in the previous year.

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The Group's Sales Structure as divided into operational segments

In 2017 the share of Zinc Segment in revenues of Stalprodukt Group grew from 54.1 % to 57.3 % (that is by 3,2 percentage points), while at the same time it fell from 17.9 % to 15.2 % (that is by 2.7 percentage points) in the Electric Sheet Segment). The share of sales of the Bent Profile Segment remain generally on the same level as in 2016 and amounted to 21.0 %.

Product range	2016		2017	
	value (PLN thousand)	share (%)	Value (PLN thousand)	share (%)
Electrical Steel Segment	563 042	17.9	530 443	15.2
Bent Profile Segment	661 025	21.1	736 478	21.0
Zinc Segment	1 699 793	54.1	2 005 191	57.3
CG's other activities	217 075	6.9	228 978	6.5
Total	3 140 935	100.0	3 501 090	100.0

Purchase of feedstock materials

In 2017, the main suppliers of feedstock materials for Stalprodukt, in case of which the value of supplies was higher than 10 % of the revenues from sales of the parent entity were as follows: ArcelorMittal FCE Poland sp. z o.o. – the share amounted to 39.3 % (ArcelorMittal Flat Carbon Europe is the distribution entity of ArcelorMittal concern) and Metinvest - the share of 12.6 %.

4. The assessment of the economic and financial conditions of the parent entity (Stalprodukt S.A) and the Capital Group

SELECTED FINANCIAL DATA OF STALPRODUKT S.A.	in PLN thousand		in EUR thousand	
	2017	2016	2017	2016
I. Net revenues from sales of products, goods and materials	1 311 227	1 268 023	308 909	289 787
II. Profit (loss) on operating activities	20 257	120 555	4 772	27 551
III. Gross profit (loss)	109 188	117 653	25 723	26 888
IV. Net profit (loss)	100 054	95 731	23 572	21 878
V. Net cash flows from operating activities	79 026	102 096	18 618	23 333
VI. V. Net cash flows from investment activities	72 170	-39 200	17 002	-8 959
VII. Net cash flows from financial activities	-63 501	-63 477	-14 960	-14 507
VIII. Total net cash flows	87695	-581	20660	-133
IX. Total assets	1 979 350	1 963 236	474 562	443 769

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X. Liabilities and provisions for liabilities	444 349	511 548	106 536	115 630
XI. Long-term liabilities				
XII. Short-term liabilities	379 820	455 925	91 064	103 057
XIII. Equity	1 535 001	1 451 688	368 026	328 139
XIV. Share capital	11 161	11 161	2 676	2 523
XV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XVI. Profit (loss) per one ordinary share (in PLN/EUR)	17.93	17.16	4.22	3.92
Diluted profit (loss) per one ordinary share (in PLN/EUR)				
XVII. Book value per one share (in PLN/EUR)	275.08	260.15	65.95	58.80
Diluted book value per one share (in PLN/EUR)				
XVIII. Declared or paid divided per one share (in PLN/EUR)	3.00	3.00	0.71	0.69

In 2017, the parent company achieved revenues from sales of product, goods, and materials in the amount of PLN 1 311.2 million. It means growth in relation to 2016 by PLN 43.0 million, that is by 3.4 %. In 2017, Stalprodukt S.A. earned the result on operating activities in the amount of PLN 20.2 million. The net profit amounted to PLN 100 million.

In 2017, the Capital Group achieved revenues from sales of product, goods, and materials in the amount of PLN 3 501.0 million. It means growth in relation to 2016 by PLN 360.1 million, that is by 11.5 %. In 2017, the Capital Group earned the profits from operational activities of PLN 359.6 million. The net profit amounted to PLN 275,4 million.

In the discussed period EBITDA of the parent entity amounted to PLN 67.3 million (as compared to PLN 170.4 million in 2016).

In the discussed period EBITDA of the Capital Group amounted to PLN 497.1 million (as compared to PLN 553.4 million in 2016).

In 2017, the sales profitability on individual levels was shaped as follows (in %):

Specification	Stalprodukt S.A.		Capital Group	
	2016	2017	2016	2017
Return on sales	9.4	1.4	13.6	9.9
Operating margin	9.5	1.5	13.1	10.3
Gross margin	9.3	8.3	13.5	9.9
Net margin	7.5	7.6	11.0	7.9

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Return on assets and equity is presented by the following amounts (in %):

	Stalprodukt S.A.		Capital Group	
Specification	2016	2017	2016	2017
Return on assets	4.9	5.0	10.8	6.9
Return on equity	6.6	6.5	17.8	7.0

Static financial liquidity is presented by the following ratios:

	Stalprodukt S.A.		Capital Group	
Specification	2016	2017	2016	2017
Current ratio	1.3	1.7	1.8	2.1
Quick ratio	0.7	1.0	1.1	1.4

In 2017, Stalprodukt S.A. generated cash flows on operating activities in the amount of PLN 79.0 million, while the Capital Group - PLN 431.5 million.

As compared to 2016, in the reporting period the assets of Stalprodukt S.A. Capital Group grew by PLN 218.8 million, that is by 5.9 %. In case of the parent entity, the increase was equal to PLN 16.1 million, that is 0.8%.

In the examined period, the value of current assets grew in case of Stalproduktu S.A. by PLN 28.6 million, and in case of the Capital Group - by PLN 232.2 million.

In 2017, Stalprodukt's equity grew up to PLN 1 535 million, and in case of the Capital Group - up to PLN 2 235 million.

As at 31.12.2017, the parent entity has no long-term liabilities, while long-term liabilities of Stalprodukt S.A. Capital Group as at 31.12.2017 amounted to PLN 485.6 million, including long-term loans and borrowings in the amount of PLN 101.7 million. As compared to 2016, long-term liabilities grew by PLN 16.5 million. As far as long-term liabilities are concerned, an amount of PLN 296.1 million is related to recognition of risk related to acquisition of ZGH "Bolesław" S.A., that is costs of liquidation of "Olkusz-Pomorzany" mines, liabilities for mining damages, possible failure to recover financial funds involved in Gradir Montenegro, severance pays for the staff from the mining sector, claims related to the right to free coal, as well guarantees and sureties.

In case of Stalprodukt S.A., short-term loans and borrowings as at the end of 2017 amounted to PLN 173.5 million, and in case of the Capital Group - to PLN 235.3 million.

Net working capital amounted respectively to: PLN 254,1 million for the parent entity and PLN 1 017 million for the Capital Group.

Cash as at 31.12.2017 amounted to PLN 106.7 million in case of the Company, and to PLN 498.0 million in case of the Capital Group.

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SELECTED (CONSOLIDATED) FINANCIAL DATA	in PLN thousand		in EUR thousand	
	2017	2016	2017	2016
I. Net revenues from sales of products, goods and materials	3 501 090	3 140 935	824 814	717 813
II. Profit (loss) on operating activities	359 614	412 869	84 721	94 355
III. Gross profit (loss)	347 474	425 367	81 861	97 211
IV. Net profit (loss), including:	275 428	345 254	64 888	78 903
- Net profit attributable to shareholders of the parent entity	254 452	325 777	59 946	74 452
- Net profit attributable to minority shareholders	20 976	19 477	4 942	4 451
V. Net cash flows from operating activities	431 518	266 874	101 660	60 990
VI. Net cash flows from investment activities	-156 645	-197 261	-36 904	-45 081
VII. Net cash flows from financial activities	-63 015	-51 096	-14 845	-11 677
VIII. Total net cash flows	211 858	18 517	49 911	4 232
IX. Total assets	3 937 757	3 718 971	944 102	840 635
X. Liabilities and provisions for liabilities	1 702 089	1 782 217	408 087	402 852
XI. Long-term liabilities	485 665	502 156	116 441	113 507
XII. Short-term liabilities	884 641	937 956	212 098	212 015
XIII. Equity, including:	2 235 668	1 936 754	536 016	437 783
- allocated to the shareholders of the parent entity	2 145 299	1 856 182	514 349	419 571
- minority capitals	90 369	80 572	21 667	18 212
XIV. Share capital	11 161	11 161	2 676	2 523
XV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XVI. Profit (loss) per one ordinary share (in PLN/EUR)	49.36	61.87	11.63	14.14
XVII. Book value per one share (in PLN/EUR)	400.72	347.07	96.08	78.45
XVIII. Declared or paid divided per one share (in PLN/EUR)	3.00	3.00	0.71	0.69

The assessment of achieved results and financial condition

As far as the achieved results are concerned, year 2017 was slightly worse for Stalprodukt Capital Group than 2016. The Group recorded growth of revenues from sales, but the profit from sales and profit on operating activities and net profit decreased. Worse results were recorded in two out of three main operating segments, which are subject to the Group's reporting.

The Electric Sheet Segment recorded higher sales volumes by ca. 3.3 % as compared to 2016. Average prices obtained during entire year 2017 were significantly lower than in 2016 and despite the improvement observed in the 2nd half of 2017, the Segment recorded a significant decrease in relation to the compared period. The Issuer expects that the tendency from the 2nd half of 2017 will be maintained

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in the 1st half of 2018, but points out also to significant pressure on prices exercised by the customers of the Segment.

The Bent Profile Segment recorded lower volume of sales by ca. 13.9 %, which simultaneous growth of average prices as compared to year 2016. Entire year 2017 characterised with significant volatility of the market, which was related to overlapping -often opposite - factors, price policies of steelworks in the context of EU decisions related to anti-dumping proceedings or commencement of planned infrastructural investments in the scope of the new financial perspective.

The Zinc Segment observed almost 18% growth of revenues from sales as compared to 2016, while the result of the segment was higher by 9.1 %. This was the effect mainly of the growth of average price of zinc in 2017, despite of weakening of American dollar.

The financial situation of the Capital Group improved in 2017, which is reflected by economic and financial ratios related to liquidity. At the same time, the Group recorded worse profitability on all levels of the profit and loss account.

The Capital Group had no payment backlogs, and complied consistently with its adopted risk management policy.

The parent entity is not expose to risk relate with changing foreign exchange rates due to usually natural hedging of such risk. But ZGH "Bolesław" S.A. and subsidiary companies have active hedging policies. According to the security strategy against consequences of zinc, lead and silver price fall, and fall of USD exchange rate, the subsidiary entities identify and assess impact of risk related to changes in metal prices and FX rates on the financial result, cash flows and the balance sheet on ongoing basis.

For the entire reporting period, the parent company and majority of companies belonging to the Capital Group maintained good financial liquidity, which is proven by both liquidity ratios and timely fulfilment of all liabilities, in relation to employees and suppliers, as well as in relation to the state budget and financial institutions.

The Capital Group is not over-indebted, use of current credits in the entire period was moderate. In the opinion of the banks that finance the Group, Stalprodukt has uninterrupted credit rating, and achieved results and transparent economic and property situation enable acquisition of various forms of financing of activities.

In the reporting period, both the parent company and the subsidiaries prolonged their agreements with banks on multi-purpose credit lines aimed to secure the Group's sources of financing.

The Management Board does not expect worsening of the Group's financial condition in 2018. To maintain good financial condition and liquidity, works have been undertaken to restructure the Group's companies and other activities are undertaken, in particular in respect to acquisition of new markets of supplies and sales, reasonable stock and receivables managements and reduction of costs.

The management of financial resources should be considered correct, which is proven by good economic ratios, which were achieved, by maintenance of financial liquidity and credit rating, as well as timely fulfilment of incurred liabilities.

5. Assessment of factors and non-typical events that have impact on result from activities for the financial year, with specification of such level of impact of such factors and non-typical events on achieved result

- Last year, the share of sales of the Zinc Segment in the revenues of Stalprodukt Group grew again (now it amounts to 57.3 % of the revenues of Group). It has also a stronger impact on the consolidated results of the Group (share of 83%). This Segment recorded a considerable growth (by 18 per cent) of revenues from sales as compared to year 2016 (to the level of PLN 2 005.1 million), while the result of the Segment grew by 9.2 % and amounted to PLN 404.2 million. An improvement in revenues resulted mainly from the growth of the average zinc price in 2017 (growth of PLN prices amounted to more than 30 %). Sales volumes were on a similar level to year 2016.
- The sales of the Electric Sheet Segment fell in 2017 by PLN 32.6 million, that is by 5.8 %, despite growth in the sales volume by 2.8 thousand tons. The decrease of revenues of the Segment resulted from significant decrease of average price of transformer sheets, which amounted to more than 9 %. In consequence of this, the results of the Sheet Segment fell significantly, that is by 60.7 % as compared to year 2016.
- Results of the Bent Profile Segment improved in respect to the revenues from sales (growth by 11.4 % as compared to year 2016). However, the results of this Segment decreased significantly, because by more than 60 %, despite relatively high growth of prices for the products of the segment, which amounted on average to all products to more than 26 %.
- The sales of the Group's Segment of other activities was slightly higher than in 2016 and amounted to PLN 229.0 million, which means an increase by 5.5 %. The result of this Segment fell by 34 %.

Steel market

According to the data published by Worldsteel, 1,691.2 million tons of steel were produced globally last year, which means a growth by 5.3 per cent as compared to 2016. Steel production in the European Union grew by 4.1 and reached the level of 168.7 million tons. Production of raw steel in Poland grew dynamically in this period (up to 10.3 million tons), which means a growth of almost 15%.

Situation on the zinc and lead markets

Year 2017 on the metal market was really successful. It was the second year in the row with significant growth of zinc prices; this metal was still very attractive for investors.

Annual average price of zinc in 2017 amounted to USD 2 896/t and was by 38% higher than in 2016, when the average price amounted to USD 2 095 /t. In the same period, the average PLN/USD rate fell by 4% from the level of 3.94 PLN/USD to 3.77 PLN/USD. Due to all those factors, the average zinc price converted into Polish zloty amounted to PLN 10 914 PLN as compared to PLN 8 277 PLN in 2016, which translates to 32 percent growth of the zinc price. It should be noticed, that it was the highest zinc price ever, as converted into Polish zloty.

The high zinc prices in 2017 resulted from the same factors as in 2016, that is mainly decrease of mining due to closure of a few main mines, reduction in ore mining applied by Glencore, and consequently, significant deficit in supply of concentrates. It cause one of the lowest TC levels ever (fees related to costs of concentrate processing by steelworks, reducing prices paid to mines; these levels were lowest in the period of the last 13 years), which in case of spot prices in some periods of 2017 had even negative values. Such low level of TC fees pointed out directly to problems with market availability of concentrates, in result of which steelworks had to fight for the concentrate.

The above mentioned factors were accompanied by beneficial macroeconomic situation of all leading economies of the world, which translated into zinc demand. As the investors were not neutral in respect to the base metal market, strong arguments of the fundamental analysis for zinc, focusing on the deficit of the mining supply and exchange stock decreasing uninterruptedly from 2016 resulted in increasing higher price levels of this metal.

6. Organisational and capital relationships with other entities

Stalprodukt S.A. has 100 % in subsidiaries except Zakłady Górniczo-Hutnicze "Bolesław" S.A., in which it has 94.59 % shares.

7. Transactions with related entities

Transactions with related entities in 2017 refer to:

- sales of products and goods to the companies from Stalproduktu Capital Group,
- rendering services for Stalprodukt S.A. by subsidiaries.

There are typical and routine transactions, which are rendered in ongoing basis; they are arm's length transactions within the capital group and they result from ongoing operating activities.

There were no other significant transactions with related entities.

8. Information on contracted and terminated credit and loans agreements

In the reporting period, the Capital Group used credit limits in current accounts.

Agreements concluded by Stalprodukt S.A.

- An agreement on multi-purpose credit limit in the amount of PLN 150,000thousand was concluded with Bank PKO BP S.A. with registered office in Warsaw; the purpose of the limit was to use limits in the current account (up to PLN 80 000 thousand) and opening letters of credits and granting guarantees (up to PLN 40 000 thousand). Within the credit limit, companies from Stalprodukt-Centrostal Kraków Sp. z o.o. Capital Group and STP Elbud Sp. z o.o. may use sublimits in the amounts of PLN 20 000 thousand and PLN 10 000 thousand respectively. The agreement shall be in force until 12.08.2019.
- The agreement on credit line concluded with Bank Pekao S.A. with registered office in Warsaw up to the total amount of PLN 100 000 thousand was prolonged until 30.09.2019, and assigned to the current account limit (up to PLN 71 668 thousand) and issuance of guarantees and opening letters

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of credit (up to PLN 10 000 thousand). Within the credit limit, companies from STP Elbud Sp. z o.o. Capital Group and Cynk-Mal S.A. may use sublimits in the amounts of PLN 13 000 thousand and PLN 15 332 thousand respectively.

- The agreement on multi-purpose credit line assigned for the current account credit, guarantees and letters of credit with BGŻ BNP Paribas S.A. with registered office in Warsaw, with the limit of PLN 50 000 thousand was prolonged for another period of one year. Under the credit limit, the company from Stalprodukt-Wamech Sp. z o.o. Capital Group may use a sublimit in the amount of PLN 2 000 thousand. The agreement will be in force until 31.01.2019.
- Also the credit limit agreement with Bank Handlowy w Warszawie S.A. was prolonged and it refers to the revolving line for granting to bank guarantees and opening letters of credit, with revolving limit up to PLN 65 000 thousand. The line refers to the amount of PLN 40 000 thousand assigned for current account credit and issuance of guarantees and letters of credit of up to 18 months (in this part the agreement shall be in force until 04.01.2019) and the amount of PLN 25 000 thousand for long-term guarantees up to 6 years (in this respect it shall be in force until 06.07.2018).

In practice, in the reporting period ZGH "Bolesław" S.A. did not use credit limits in open accounts .

Specification of credit lines of ZGH "Bolesław" S.A.

- In April 2006 the Company entered into the agreement on credit in open account with ING Bank Śląski S.A. for the amount of USD 10 000 thousand. According to the annex dated 31.08.2012, the final date of use of the granted credit is shifted by next 12 months, unless the parties declare otherwise, but no longer than until 31 October 2022. The amounts of the granted credit and the amount of the credit limit assigned for guarantees and letters of credits have not been changed.
- A credit agreement in form of a credit line in the open account was concluded in March 2011 with Bank Polska Kasa Opieki S.A. for the amount of PLN 30 000 thousand. The deadline of credit availability was prolonged with Annex no 10 dated 29 September 2017 until 30 September 2018.
At the same time, the validity of requested guarantees and letters of credit was prolonged until 30 September 2019.
- In May 2011, the Company entered into a multi-purpose credit line agreement with BGŻ BNP Paribas Bank Polska S.A. for the amount of USD 10 000 thousand. On 9 December 2013, the amount of the credit limit was changed into PLN 15 000 thousand. According to the change no 8 of 25 January 2016, the credit limit remained at the same level, and the crediting period was prolonged until 18 May 2021. Change no 10 of 28 December 2017 defines the current period of credit availability - until 7 January 2019.
- On 5 April 2011, an agreement was concluded with Deutsche Bank Polska SA on availability of a credit line for letters of credits/guarantees for the amount of EUR 2,000 thousand. Annex no 14 of 20 June 2017 changed the amount of the credit line for guarantees into: USD 350 thousand and PLN 1 554 658.00. The duration of this agreement was set until 30.01.2019.

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- On 17 November 2017 and agreement on availability of a credit line for guarantees and letters of credits no 36/2017 was concluded with HSBC Bank Polska S.A. for the total amount of EUR 6,000 thousand. The availability period was set until 16 November 2018.

Other loan agreements concluded by ZGH "Bolesław" S.A.

- On 2 April 2015, the Company entered into a loan agreement no 82/2015/Wn-06/OZ-UI-go/P with NFOŚiGW in Warsaw for additional funding of execution of a project entitled "Contraction of Flotation Tailing Processing Plant - Processing Installation in the Process of Recovery by means of the Flotation Method of Enrichment of Flotation Tailings Acquired from Tailing Ponds of Zakłady Górniczo-Hutnicze "Bolesław" S.A. A loan in the amount of PLN 42 161.8 thousand was granted for the period from 01.02.2015 to 20.12.2022 and its interest rate amounts to 3.5 % p.a. The grace period in repayment of the principal amount was set until 19.12.2017. The repayment of the loan is secured with blank promissory note "without protest" together with a promissory note agreement. As at 31.12.2017 the loan amount of PLN 40 608 454.00 is still outstanding.
- In result of the combination of Zakłady Górniczo-Hutnicze „Bolesław” S.A. through acquisition of Bolesław-Recycling Sp. z o. o. on 03.04.2017 in the mode of article 516 § 6 of the Code of Commercial Companies, an annex no 1/341 to Loan no 243/2011/WN-06/OZ-UK/P on additional funding on execution of the project entitled "Development of Rolldown Furnaces in Bolesław Recycling Sp. z o. o.” was concluded. A loan in the amount of PLN 28 081 650.00 was granted for the period from 01.10.2011 to 20.12.2020 and its interest rate amounts to 3.5 % p.a.

The repayment of the loan is secured with blank promissory note "without protest" together with a promissory note agreement.

As at 31.12.2017 the loan amount of PLN 9 748 830.00 is still outstanding.

Credit Lines of Huta Cynku "Miasteczko Śląskie" S.A.

In 2017 Huta Cynku "Miasteczko Śląskie" S.A. had open three-currency credit lines in the following banks :

- GETIN NOBLE BANK S.A. – credit agreement on revolving multi-purpose credit dated 23.01.2015, expiry date 31.12.2018 – amount of PLN 5 000 thousand,
- Credit Agricole Bank Polska S.A. – agreement on credit on current multi-currency account dated 07.12.2012 as amended, expiry date 31.10.2018, amount of PLN 5 000 thousand,
- PKO BP SA. – multi-purpose credit limit agreement dated 23.04.2015, expiry date 12.08.2018, amount of PLN 10 000 thousand,
- Bank Pekao S.A. – agreement on credit in current multi-currency account dated 28.11.2013 as amended, expiry date 30.09.2018, amount of PLN 15 000 thousand,
- ING Bank Śląski S.A. – agreement on credit in current multi-currency account dated 24.06.2009, as amended, final date (31.10.2016) of use of the granted credit is shifted by subsequent 12 months, unless the parties declare otherwise, but no longer than until 31 October 2026 (maturity date), amount of PLN 30 000 thousand.

Other loan agreements concluded by HCM S.A.

- On 11.12.2013 Huta Cynku "Miasteczko Śląskie" S. A. concluded agreement on additional funding in form of a loan with the National Fund for Environment Protection Fund and Water Management in the amount of PLN 36,956 thousand. The aim of the loan is to provide additional funding to the investment entitled "Development of Zinc Waste Recovery Installation in Huta Cynku "Miasteczko Śląskie" S.A. by adding three redistillation columns". Repayment started in March 2017, but the final repayment date was set for 30.06.2025.
- On 23.09.2016 HCM entered into a loan agreement with the Voivodeship Environmental Protection Fund for the amount of PLN 20 388 thousand to be assigned to additional financing of the task entitled "Construction of Waste Neutralisation and Thallium Removal Installation". It will be repaid since March 2019, and the final repayment date was set for 15.12.2028.

9. Information on granted and received loans, securities and guarantees

a) loans, securities and guarantees granted by Stalprodukt S.A.

As at the balance sheet date, Stalprodukt S.A. had secured a blank promissory note issued by STP Elbud Sp. z o.o. for Pekao S.A. with registered office in Warsaw, in relation to an investment credit incurred in 2015 in the amount of PLN 13 000 thousand. The outstanding credit amount is equal to PLN 7 799 thousand, repayment date is set on 31.12.2020.

At the balance sheet date, the Company had no other conditional liabilities but the above mentioned security of a promissory note and performance bond for production and assembly of road barriers. As at 31.12.2017 the amount of valid related guarantees amounted to PLN 20 633 thousand.

a) loans, securities and guarantees granted by the companies of Stalprodukt S.A. Capital Group

Gradir Montenegro d.o.o. with registered office in Niksic (Montenegro) benefits loans granted by ZGH "Bolesław" S.A. in years 2011-2017. As at 31.12.2017 those loans amounted to USD 26.7 million.

List of securities granted by ZGH "Bolesław" S.A. as at 31.12.2017:

- On 9 December 2015 ZGH granted irrevocable security to a subsidiary, Boltech Sp. z o.o. in relation to debtor's liabilities under loan no P/114/15/21 granted by WFOŚiGW in Kraków up to the amount of PLN 4 837.8 thousand and by 31.03.2023,
- On 9 December 2015 ZGH granted irrevocable security to a subsidiary, Boltech Sp. z o.o. in relation to debtor's liabilities under loan no P/115/15/21 granted by WFOŚiGW in Kraków up to the amount of PLN 908.8 thousand and by 31.03.2021,
- On 9 December 2015 ZGH granted irrevocable security to a subsidiary, Boltech Sp. z o.o. in relation to debtor's liabilities under loan no P/116/15/21 granted by WFOŚiGW in Kraków up to the amount of PLN 1,126.9 thousand and by 31.03.2021,

List of securities granted by ZGH "Boleslaw" S.A. as at 31.12.2017:

- Bank guarantee no 21/2013 for ORLEN Paliwa Sp. z o. o. in Płock, issued under a credit facility agreement concluded with PKO S.A. dated 24.05.2011 to secure oil supplies in the amount of PLN 1,250,000.00, valid until 10.02.2018.
- Bank guarantee no 874BG71301784 for Polskie Sieci Elektroenergetyczne S.A. with registered seat in Warsaw, issued by Deutsche Bank Polska S.A. on 18.12.2013. The guarantee amount is equal to PLN 1,000,000.00, and its validity date is 30.06.2018.
- Bank guarantee no 874BG71700156 for the State Treasury - the Chief Inspector for Environmental Protection with registered office in Warsaw, issued by Deutsche Bank Polska S.A. on 02.02.2017. The guarantee amounts to PLN 371,535.00, and its validity date falls on 31.12.2018.
- Bank guarantee no 874BG71600730 for the State Treasury - the Chief Inspector for Environmental Protection with registered office in Warsaw, issued by Deutsche Bank Polska S.A. on 12.05.2016. The guarantee amounts to PLN 183,123.00, and its validity date falls on 31.12.2017.
- Bank guarantee no 874BG71700304 for Trepca Enterprise Industrijski Krug Kosovo, issued by Deutsche Bank Polska S.A. on 02.03.2017 for the amount of USD 350,000.00, z with validity period until 30.06.2018.

10. Information of the Group's use of receipts from issues of securities

In the reporting period the parent company did not issue any securities.

11. Explanation of differences between financial results presented in the annual reports and earlier published forecasts of results for a given year

The Capital Group does not publish forecasts of financial results.

12. Assessment of financial resources management

The parent company has very good financial liquidity, it rarely uses working capital credits and it invests its free funds in safe short-term deposits that ensure access to the funds.

The management of financial resources should be considered correct, which is proven by good economic ratios, which were achieved, by maintenance of financial liquidity and credit rating, as well as timely fulfilment of incurred liabilities.

13. Assessment of the possibility of fulfilment of investment plans

The current wide plan of investments in the organic development of the parent company (growth of production of transformer sheet, new profile production lines, equipment to be uses by service centres) was covered fully by earned own funds.

The volume of depreciation write-downs and planned financial results point out that there are any threats to fulfilment of further investment plans.

14. Information on employment

In 2017 altogether 129 persons was hired by Stalprodukt S.A.. Employment agreements were terminated through an agreement of the parties or otherwise by 116 employees.

The employment as at 31.12.2017 in Stalprodukt S.A. Capital Group reached the 6 088 persons, including:

- in the parent company 1 659 persons,
- in subsidiaries 4 429 persons.

15. Investment activities and technological development

In the reporting period the Group conducted investments in the field of: development of its goods and improvement of technological processes, construction works and enterprises, which affect the natural environment and the conditions of work safety and health.

a) The investment related to extension of the offer of manufactured products

- Devices enabling collection and removal of internal flush to 3/P2 and 9/P2 aggregates were ordered.
- Steering of Ipsen furnace no 4 was modernised.
- Construction of the hydrogen compression of loading station was completed. At the moment, the company undertakes activities which are aimed to obtain the permission for use.
- Two aggregates for small and medium-size profile production, in the diameter ranges of Ø10 – Ø76,1, made of cold-rolled steel strips and strips after cold-rolling and galvanisation with zinc thermal sprayed weld seam were admitted for production process.

b) Investments in construction works

- The trackway of the gantry of the tool workshop in the hall no 7 Department P2 was constructed.
- Construction was completed and a permit for use was obtained for the shelter, under which sludge is stored and where a filter press is to be assembled.
- The construction works of 5-star hotel in Kraków, Kopernika Street, ws continued. The construction of the building shell without windows and doors was completed. The launch of the hotel is planned for end of 2018.

c) Undertakings, which have an impact on the natural environment and work safety and health

- An investment was executed with an aim to improve dosing efficiency of coagulants and flocculants.

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- Designing works were commenced in respect to the station of preparation of new I-52 solution for lines C1, C2 and C3.
- Air conditioners were mounted in the office space of Companies' workshop hall.

d) Other investment tasks

- The investment task related to monitoring of process data was continued. Intensive works are performed now in the BP Department.
- The modernisation project of SSP of Stalprodukt S.A.'s premises was executed.
- The measurement system of heat in the boiler room was measured.
- The assessment of compliance of the line security systems in all Departments is gradually performed. At the moment cutting aggregates 1/P3, 2/P3, 6/P2 and longitudinal cutting aggregate no 3/P2 have been adjusted
- Another fan was purchased and assembled in the fan cooling tower.
- Works aimed at upgrading of IFS system to version 9 were continued.
- Fields of the switchboard 6 kV were modernised.
- Construction of M-1 wind power plant with vertical pivotal axis of 200 kW was completed.
- Works related to construction of B-1 wind power plant with vertical pivotal axis of 1.5 MW were completed. Now it is the time of start-up and determination of the real power curve. This project is cofunded by the National Centre for Research and Development and the European Union and is performed together with Anew Institute Spółka z o.o. and AGH University of Science and Technology.

e) Investments in the Zinc Segment

In 2017 the value of expenses spent on fixed assets under construction and related intangible assets in the Zinc Segment amounted to PLN 84.4 million and was by 35% lower than in 2016 (PLN 130.3 million). The biggest investment tasks included:

- ZGH "Bolesław" S.A.: tasks aimed at extension of raw material base, construction of a new Bath Tub and Input Dosing Hall.
- Huta Cynku „Miasteczko Śląskie”: the investment expenditure spent referred among others to continuation of construction of neutralisation of acid waste, including thallium removal (in 80 % is was financed by a loan granted by WFOŚiGW) and facilities of zinc block casting SHG and its apply with aluminium ZAMAK.
- Gradir Montenegro recorded expenses on works related to access to a new Zn-Pb ore deposit and construction of a sediment pond.

Research and development works

Research and development works are performed on constant basis in the Zinc Segment due to complex technological processes that require continues and systematic optimisation. The works related mainly to a possibility of enrichment of alternative feedstock, recovery of metals from various waste materials, use of sludge and other technological waste, possibility to increase production of zinc and lead from oxide raw materials, reduction of pollution emitted to water and air and a possibility to use excess post-

reduction gas. The significant majority of such works is commissioned to research institutes or other institutions.

- In 2017 ZGH "Bolesław" continued two research works. The work entitled "Development of Technologies of Production of Innovative Zinc Alloys for Hot Dip Galvanisation adjusted to specified types of Steel Products" is executed within the scope of INNOTECH programme (the programme of support for the science and enterprises in execution of innovative undertakings). Work entitled "Waste-less Technology of Processing of the Heaps in the Bytom Region with Recovery of Concentrates for ZN-Pb Production" is performed within the scope of GEKON programme that supports projects aimed at scientific research and development works, and then implementation of ecological technologies achieved as result.
In 2017 ZGH "Bolesław" received funding for innovative activities within the scope of Demonstrator Programme focused on support of scientific research and innovation. The aim of the Project is to demonstrate and validate the innovative technology for electroseparation of high purity zinc. The essence of the innovation is the possibility to base the production of electrolytic zinc on secondary raw materials at least in 50 %.
- Huta Cynku "Miasteczko Śląskie" participates in RIGaT project aimed at recovery of indium and germanium in a metallic form from circulating materials in the steelworks and in INNOSTAL programme through research works on innovative technologies of electricity generation from furnace waste gases and on preparation of a computer programme supporting the production process.

The value of research and development works conducted in the Zinc Segment in 2017 amounted to PLN 5,278.4 thousand.

16. Characteristics of external and internal factors essential for the Group's development and description of perspectives of development of the activities

External and internal factors essential for the Group's development

Gdańsk Institute for Market Economics prepared a forecast for years 2017-2018. Selected elements External and internal factors essential for the development of the Company and the Capital Group.

Inflation

On 12 March 2018 the National Bank of Poland published its "Report on Inflation". Selected elements of the forecast for the Polish economy for years 2018-2020 are presented below.

According to the forecast, the decreased economic growth in the euro zone will be followed by gradual decrease of Polish GDP in the time horizon of the forecast from very high levels recorded in the 2nd half of 2017. Individual consumption will be the main element of growth of the domestic demand, which will result from further improvement on the labour market and maintained optimistic household attitudes. Years 2018-2020 will observe growth of the share of investments in the economic growth, with will be

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related to a need to reconstruct the production potential of the Polish economy and inflow of funds from the EU budget, that is from the current financial perspective for years 2014-2020.

The forecast of GDP growth for 2018 is 4.2 % , for 2019 - 3.8 % and for 2020 - 3.6 %.

Together with growing demand and cost pressure in years 2018-2020, core inflation will also grow gradually. The growing demand pressure is reflected in growing positive demand gap in the time horizon of the projection in result of growth of consumption and investment expenses.

At the same time, growing problems of enterprises related to insufficient volume of labour supplies will translate into higher growth of salaries than the dynamics of work efficiency. The scale of inflation growth will be limited by low dynamics of import prices related to appreciation of PLN effective exchange rate, low inflation abroad and expected fall of prices of energy resources. Furthermore, the influence of factors raising temporarily food prices will expire in the upcoming months.

The forecast CPI inflation rate in the upcoming years are to be as follows: in 2018 - 2.1 %, in 2019 - 2.7 % and in 2020 - 3.0 %.

Domestic demand

In years 2018-2020 the dynamics of individual consumption will remain on a level of ca. 4 % and it will be the main element of the economic development. The development of the situation on the labour market is expected to have a positive impact on the level of household spending, since further fall of the employment rate and maintenance of relatively high dynamics of salaries are expected there. Also positive attitudes of entities, reflected by extremely high levels of results of consumer economic condition researches, should have a positive impact on consumption.

In particular, declarations of households point out to positive tendencies related to important purchases to be made, as well as decreasing concerns about the future economic situation in Poland and threat of unemployment. In the time horizon of the projection, the growth of consumption will be also supported by low levels of interest rates, which will have a positive impact on the costs of financing of consumption spendings with a credit.

Despite beneficial conditions for consumption, the dynamics of the consumer demand will decrease gradually in years 2018-2020.

Current and capital account balance

The surplus on the capital account is expected to grow in years 2018-2019 together with the growth of use of the EU investment funds within the scope of the EU financial perspective for years 2014-2020. Taking into account simultaneous slowdown of the pace of growth of the domestic demand, which will translate into reduction of growth of import and stop of the decreasing tendency related to surplus in trading in goods and services, another improvement of the relationship of the total current and capital account balance to GDP is expected in the time horizon of the projection.

Foreign exchange rate

The current PLN exchange rate is below the level resulting from fundamental factors, which is shown for instance by an improvement of the positive current and capital account balance in 2017. Despite the appreciation in the recent months, the exchange rate does not serve as an exports barrier for Polish enterprises. In the time horizon of the projection, the effective PLN exchange rate is expected to

grow and gradually approach the equilibrium exchange rate. This notion is supported by the growing inflow of EU transfers and high trade surplus translating into maintenance of positive current and capital account balance in years 2018-2020.

NBP identifies risk factors and source of uncertainties of economic and geopolitical nature for its projections in various areas. Starting from the global economic situation, with the American economy as the leader, through perspectives in the euro zone and until closer environment.

Thus, the main sources of uncertainties of NBP's forecast should be identified on the side of further development of the situation in the environment of the Polish economy and the future labour supply in Poland. The balance of the factors of uncertainties points out to the almost symmetrical distribution of risk for CPI inflation and a possibility of lower path of GDP's dynamics in the longer time horizon of the projection than defined in the central scenario.

If it is assumed that NBP's reference rate will not change, the probability of CPI inflation shaping in the symmetrical range of deviation from NBP's inflation objective of 2.5 % (and width of +/- 1 percentage points) lowers gradually from the current level of 86 % to 41 % at the end of the time horizon of the projection.

Eurofer's forecast on steel consumption in the EU

The real consumption of steel in the EU is expected to grow by 1.8 % in 2018 and 1.6 % in 2019, and the consumption rate will decrease after one-off growth of the dynamics in the sector in 2017. In the previous year, large contracts on pipelines were beneficial in particular to German producers of large pipes, but probably they will not be repeated on such a large scale.

The production of steel pipes in Europe is expected to be moderately reduced in the EU in 2018, mainly due to the fact that EU producers' portfolios of contracts for construction of pipes for pipelines are being exhausted.

Moreover, legal uncertainty related to the application of the European Commission concerning the new EU anti-monopoly legislation will also refer to parts of sea pipelines in the territory of the EU. It may complicate Russian plans concerning gas pipes from Russia to Western Europe. Consequently, it is expected that the growth of this market will disappear in 2018 and 2019.

Demand for small welded pipes will be growing, which is supported by the general beneficial business situation in the main branches of the customer's industry. Total production of steel pipes in the EU is expected to grow by 0.5 % in 2018 and by 0.7% in respect to productive activities in 2019.

The production in all EU sectors, which use steel, is to grow by 2.2 % in 2018 and by 1.8 % in 2019.

Eurofer warns, however, that EU will remain the main recipient of imports from third parties when the markets in other regions will become saturated and threats related to continuous trade flows from protectionist funds in other regions will be maintained.

Perspectives of the Group's business growth in 2018

Transformer steel sheets

Forecasts on the transformer sheet market are very difficult. Numerous factors on the global market has impact on development of this market. As we perceive, too excessive Chinese exports and possible related adjustments of prices are particular threats related to the assumed plan. We have also identified another real threat, that is significant inflow of ready transformer cores and ready forms to Europe.

Taking into account the development of the external circumstances, in 2018 the Company will try to increase the share of laser sheet in its sales and manage its production capacities in respect to HGO sheets.

We plan to continue the close cooperation with corporate groups in order to perform tests of HGO sheets.

Taking into account current market condition, change of the structure of orders, increased demand for sheets for construction of higher performance transformers and smaller loss rates, then development of offer based on HGO types is the priority.

Moreover Stalprodukt S.A. has lots of expectation in relation to purchase of a transformer sheet producer, GO Steel Frydek Mistek a.s. with registered office in the Czech Republic (the share purchase agreement concluded with ArcelorMittal S.A. with registered office in Luxembourg was signed on 15 December 2017, and the transaction was closed on 28 February 2018). The transaction will enable increase of production capacity in the Sheet Segment up to 150 thousand tons a year (from 100 thousand tons now), that is by 50 %. Thanks to this, it will improve the market position of Stalprodukt on the market of sheets, which is important from the point of view of consolidation processes observed in this industry. Purchase of GO Steel Frydek Mistek will also make it possible to benefit from the synergy in the Group: joint order management and purchase of feedstock, joint product development management and diversification of production, that is production of high quality types in Bochnia, while conventional types of sheet will be produced in Frydek Mistek.

Cold bent profiles

Forecast for the sectors that are the main steel consumers in Europe in 2018 define growths, which are not higher than 2 %.

Furthermore, there are many factors, which impose direct threat to fulfilment of the plan. No protection of the profile market with simultaneous protection on the hot-rolled sheet market will entail growing import of cheaper profiles. Significant growth of the imports in apparent consumption of cold-rolled profiles in Poland.

Products of sheet service centre

Development of situation with prices during the entire year and skilful management of resources will have a decisive impact on successful sales of this product range.

Road barrier

The biggest threats related to execution of road projects include:

- very high cycle of approval of materials and optimisation of barrier projects, since general contractors, which execute investment projects according to formula "design and built", select suppliers of road barriers 1-1,5 years before the date of completion of an investment,
- variable level of steel and zinc prices in such a long period, in particular in the light of the decision of the European Commission on custom duties to be imposed on hot-rolled steel sheet from outside the EU, which entails a need to secure and store large volumes of materials,
- problem with human capital on the construction market, which may entail difficulties in complying with deadlines by further subcontractors and suppliers (anti-glare shields for bridge barriers and road barriers, crush cushions), for which Stalprodukt is to be held liable,
- a large number of contracts in previous years, under which numerous defects are reported by specially established units within the structures of General Contractors; such defects are often unjustified but must be analysed and handled by us.

Zinc Segment

The volume of production of concentrates and stock volume are the most important factors, which influence directly the zinc price. According to ILZSG, growth of zinc production in 2018 may amount to 6 % and reach the level of 13.78 million tons. But even more than 800 thousand tons of zinc may appear in the market. According to BMI Research, production growth may amount to 3.5 %. Regardless of the estimates, general growth of zinc production may be expected in 2018. It is also confirmed in analyses published by analysts from CRU Group. Growth of production is related with resumption of old projects and opening of new mines. The most distinguishing projects include Dugald River, which is owned by MMG corporation, Gamsberg in Africa owned by Vedanta and Castellanos in Cuba owned by Trafigura and reactivation of Century mines in Australia. Moreover, other projects are prepared for launching, and their production may come to the market in 2018.

Save for production growth, the other factor, which may have a negative impact on the zinc market, is the possibility that unrecorded stock from warehouses not included in reports appears on the market.

The key issue related to expected growth of production is the time of launch of new production capacity, which in case of mining projects cannot be forecast in detail. The real assessment of such possibilities is reflected in the amounts of TC fees. Expected TC amounts in 2018 may reach ca. USD 140-150/t. For the purpose of comparison, TC were low already in 2017 and they amounted to USD 172/t.

Expected growth of demand for zinc is a factor, which has impact on positive perspectives for zinc market. It results, for instance, from constantly high and even increasing demand from China. According to CRU, the estimated increase of Chinese demand may reach 800 thousand tons. Moreover, growth of demand for zinc from the main world economies is expected, including mainly from China, USA and EU.

To sum up, it is difficult to define clearly the direction of zinc prices in 2018. It will depend on whether, in the opinion of investors the positive factors prevail or concerns and related willingness for correction of prices after long periods of growth is dominant.

17. Description of significant risk factors and hazards, including the specification of the level of the Group's exposure

a) macroeconomic economic

- The results of the Group's activities, in particular the Bent Profile Segment, are strongly correlated with the general economic situation, in particular development of such branches as construction and industry.

The level of economic situation in those branches is well reflected by the pace of growth of the Gross Domestic Product. This ratio grew significantly in 2017, that is by 4.6 % (in 2016 GDP growth amounted to 2.9% only).

According to forecasts for 2018, the high GDP growth will be maintained; IMF forecasts 4.1% growth of the Polish GDP, while according to OECD the economic growth in Poland will amount to 4.2 %. These expectations allow optimistic attitude about expected demand for the Group's products and the growth potential of revenues from sales.

- The good economic situation should be also supported by decrease of the deficit of the public finance sector from 2.7 % to 1.9 %) and expected further decrease of unemployment rate. Also further growth of investments related to growing inflow of EU funds is forecast together with simultaneous maintenance of stable dynamics of consumption. Infrastructural investments financed from the EU funds are an important factor influencing sales of the Company's products, in particular road barrier.
- The Group operates also on exports (mainly EU) markets, which generate up to 50 per cent of total revenues. Therefore, also the economic situation in the EU countries has a significant impact on the level of generated revenues and results. According to forecasts prepared by the European Commission, the EU GDP will amount to ca. 2.3% in 2018, which means only slight decrease as compared to the actual results in 2017 (2.4 %), which was the highest growth during the last decade,

b) demand for steel products in Europe

The demand for steel products on the EU markets is a significant growth factor of sales of the products manufactured by the Group. In 2017, the growth of apparent steel consumption in the European Union amounted to ca. 1.9 %. The forecasts for 2018, prepared by EUROFER, assume growth on the same level.

c) situation of the market of feedstock supplies

For many years, the Group has tried to conduct the policy of diversification of feedstock supplies, that is purchase of materials from both the domestic suppliers and imports that is usually cheaper

than prices offered by the biggest domestic producer. Such approach is the key of effective competition with other domestic and foreign producers of pipes and profiles.

In this context, the anti-dumping procedures are certainly beneficial for the EU steel producers, but they decrease profitability of processing companies (such as for instance Stalprodukt) and steel distributors. Reduction of access to cheaper feedstock materials (got- and cold-rolled sheets) through imposed anti-dumping duties leads to growth of prices of such products in the EU market.

In turn, the fact of no protection on the market of ready products (e.g. pipes and cold-bent profiles) results in exports of such products by such countries as Turkey or Russia. The Company has met many times the offers of prices of ready products on the level of hot-rolled products offered by EU suppliers. Possible worsening of the competitiveness in result of protective activities undertaken by the EU is a significant risk factor for the Profile Segment.

d) big competition among producers of cold-rolled profiles and companies operating sheet service centres

Big competition among producers of cold-rolled profiles and companies operating sheet service centres is a significant risk factor for achievement of sales objectives assumed by the Group. The Group must also compete with imports of ready products based on purchase of cheap feedstock materials (the main directions of imports are: Italy, Ukraine, Turkey, Belarus. It should be pointed out in this context, that the total volume of imports of cold-rolled profiles amounted last year to 242 thousand tons, which means growth of 7% as compared to the previous year.

e) Results of introduction of protection measures for the market of transformer sheet producers in 2015

The negative consequences of final anti-dumping duties for imports of grain-oriented electrical sheets introduced by the European Commission in 2015 still persist. The mechanism of minimum import prices proved to be ineffective. Prices of imported materials fell to the level of minimum prices, and they were even lower for suppliers from Russia for some time.

At the same time, some suppliers from outside the EU omit partially the custom duties through deliveries of material to service centres located, for example, in Turkey or in India. The materials are used for production of transformer cores and formats, and their imports is not protected, which has a negative impact on the condition of EU producers.

f) risks related to operations of the Zinc Segment

The market risk related mainly with changes in metal prices and fluctuations of exchange rates is naturally embedded in the operations of the Zinc Segment. This risk is limited to a safe level through active risk management consisting of application of derivative instruments and entering into hedging transactions.

Other threats for further activities of the Zinc Segment include:

- risk of changes of energy resources prices,
- risk of changes of prices of for CO₂ emission rights,

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- short perspective of own resource basis,
- approaching date of liquidation of "Olkusz-Pomorzany" (flooding may occur),
- fluctuation of zinc concentrate prices and a possibility of limited access to raw materials resulting from increased global demand,
- consolidation of owners in the zinc industry in the mining and steel areas.

Another factor that influence reduction of costs of zinc production is the costs of energy resources, such as coke and gas. The production companies have executed investments aimed at reduction of energy consumption of processes for many years. Such activities related to reduction of costs of consumption of coke, gas and electricity are also planned for the upcoming years. Moreover, in case of electricity prices, the company applies policy of short- and medium-terms contracts with fixed purchase prices.

After several years of operation of the mine, ore mining in the region of Olkusz moved to poorer parts of the deposit. Lower zinc contents in the ore, and consequently constant reduction of the amount of own concentrate forced the company to build own raw material strategy guaranteeing feedstock for zinc production after the mining activities are closed. Therefore, organisation of supplies of resources building and related safety of resources are the strategic areas of the Segment's concern. Activities in this area are directed at:

- new mining projects, mainly the close vicinity of deposits that are now exploited by the Company. The search for new deposits of Zn-Pb ore resulted in start of mining in "Klucze I" deposit. This deposit has higher metal contents than the ones that are obtained at the moment. Ore mining from this part of the deposit will prolong operations of the mining section until 2020 (earlier plans assumed mining until 2017),
- ZGH "Bolesław" S.A. works on a concept of construction of a mine on "Laski" deposit. The Company has a permit for recognition of this layer, according to which several geological boreholes were made. Works related to preparation of new geological documentation of the deposit are completed at the moment.
- acquiring certified sulphide concentrate from flotation tailing deposited in sediment ponds. In 2016 the Company completed accomplishment of investment entitled "Construction of flotation tailing processing plant". In January 2017 the new facility started production of blend concentrate. Almost 10 thousand tons of concentrate were obtained in the first year of operation of the installation. Target production volume amounts to ca. 20 thousand tons of concentrate a year),
- development of the supplier base of steelmaking dust in order to increase loading of a newly constructed deep dechlorination, deflourination and leaching of raw zinc oxide coming from steelmaking dust processing. At the moment, oxides account for ca. 30% of input, while their planned target share is planned to reach even 40 % -50 %.
- determination of most beneficial principles of purchase of sulphide and oxide concentrates and signing long-term commercial contracts ensuring regular supplies.

g) risk related for financial instruments

Other risks resulting from financial instruments, that is foreign exchange risk and contract risk, liquidity risk and market risk were described in detail in the Additional Information and Explanatory Information for the Financial Statement (Point 7: Financial instruments and assessment of risk management).

18. Changes in basic management principles of the issuer's enterprise and its capital group

In the reporting period, there were no changes in the basic management principles in respect to the Company and the Capital Group.

19. All agreement concluded between the issuer and members of management that provide for compensation in case of their resignation or dismissal from their positions without an important reason or when they are revoked or dismissed because acquisition of the issuer

Benefits due to the Management Board Members of the Parent company in relation to termination of employment relationships with them are defined in individual employment agreements concluded with the Management Board Members.

According to the above mentioned agreements, if a Management Board Member is dismissed from his/her function during a term of office, the Company is obliged to pay compensation depending on the person's function in the Management Board in the amount of 6- or 12-months' average salary of such Management Board Member.

Employment agreements contains also non-compete clauses referring to a period after termination of an employment relationship. According to those provisions, a Management Board Member is obliged to abstain from competitive activities in relation to the Company for a period of 12 months from termination of his/her employment relationship.

Depending on a function performed in the Management Board, he/she shall be entitled to salary in this period in the amount of 100% or 75% of average salary (for the first 6 months) and 50% of average salary for the next 6 months.

20. The amounts of salaries, bonuses and benefits paid, due or potentially due, separately for every member of management and supervisory bodies

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1. Amounts of salaries for members of management bodies (in PLN):

	Basic salary	Bonus of achieved results	Salary for functions performed in the governing bodies of subsidiaries	Total
Piotr Janeczek	843 612	869 526	198 844	1 911 982
Józef Ryszka	421 806	434 763	41 026	897 595
Łukasz Mentel	422 806	400 373	6 219	829 398
Total	1 688 224	1 704 662	246 089	3 638 975

2. Amounts of salaries for members of supervisory bodies (in PLN):

	Allowance	Salaries for functions performed in the governing bodies of subsidiaries	Total
Stanisław Kurnik	66 329		66 329
Kazimierz Szydłowski	56 855	43085	99 940
Maria Sierpińska	56 855		56 855
Tomasz Plaskura	52 119		52 119
Janusz Bodek	72 751	51 110	123 861
Sanjay Samaddar	0		0
Magdalena Janeczek	69 235		69 235
Agata Sierpiska-Sawicz	17 401		17 401
Stanisław Stańdo	2 738		2 738
Romuald Talarek	7 135		7 135
Total	401 418	94 195	495 613

21. List of members of management and supervisory bodies who hold Stalprodukt's shares

As at submission of this report, the state of Issuer's shares by members of management and supervisory bodies was as follows:

a/ members of management bodies:

- Piotr Janeczek 115 053 shares of the nominal value of PLN 230 106,
- Józef Ryszka 504 shares of the nominal value of PLN 1 008,
- Łukasz Mentel 100 shares of the nominal value of PLN 200.

b/ members of supervisory bodies:

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

Moreover, through a subsidiary, STP Investment S.A., Piotr Janeczek as 1 829 319 shares

accounting for 32.78 % share in the capital and 5 875 691 votes, accounting for 48.17 % of the total number of votes at the General Meeting of Shareholders.

22. Information on agreements (also agreements concluded after the balance sheet date), in which changes may be introduced in the future in proportions of shares held by current shareholders

In the reporting period and in the period after the balance sheet date there have been no agreements known to the Group, in which changes might be introduced in the future in proportions of shares held by current shareholders.

23. Specification of litigations pending in court of law, respective arbitration authority or public administration authority

The Group is not a party of litigations pending in court of law referring to liabilities or receivables of the parent entity or its subsidiary entity of a higher value than at least 10 per cent of equity of the parent entity.

24. Information on the control system of employee share schemes

The Capital Group has no control systems of employee share schemes.

25. Information on the entity entitled to examine the financial statements

- Stalprodukt S.A. concluded an agreement for semi-annual and full audits of financial statements (separate and consolidated ones) for financial year 2017 with "Accord'ab" Biegli Rewidenci Spółka z o.o., ul. Grabiszyńska 241, 53-234 Wrocław, registered on the list of entities authorised to audit financial statements under number 262.
The agreement was concluded on 22.05.2017.
- The net annual fee under the agreement amounts to PLN 78 thousand.

Part II. Declaration on compliance with principles of corporate governance by Stalprodukt S.A.

This declaration on compliance with principles of corporate governance by Stalprodukt S.A. was made in 2017 pertaining to § 91 sec. 5 point 4 of the Regulation of the Minister of Finance of 19 February 2009 on ongoing and periodical information disclosed by issuers of securities and conditions, on which information required in compliance with provisions of a non-EU member state is considered equivalent (consolidated text in Journal of Laws 2014, item 133, as amended).

a) specification

- **of corporate governance principles, to which an issuer is subject and a place, where the contents of such principles are publicly accessible**

The Company is governed by the corporate governance principles presented in document entitled "Good Practices of Companies Listed on Warsaw Stock Exchange 2016". The contents of such document is available on the Company's website (www.stalprodukt.com.pl), section of "Investor Relationships" and "Corporate Governance" tag.

- **of corporate governance principles, which an issuer could decide to follow on voluntary basis and a place, where the contents of such principles are publicly accessible**

The Company did not decide to adopt any other corporate governance principles than presented above.

- **all respective information on the issuer's compliance with practices related to corporate governance beyond requirements defined in the national legislation, together with information on corporate governance practices applied by the issuer,**

The Company does not apply corporate governance practices beyond requirements defined in the national legislation.

b) information on the issuer's non-conformance with the corporate governance provisions referred to in letter "a" indent one and two, specification of such provisions and explanations of such non-conformance,

The Company did not broadcast the general shareholder meeting via the Internet, did not register it and did not publish it on its website.

In the future the Management Board intends to register its general meetings and broadcast them via the Internet.

c) description of main features of the internal control and risk management systems used in the issuer's enterprise in relation to the process of preparation of financial statements and consolidated financial statements,

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Financial statements are prepared by the Manager of the Accounting and Tax Department on the basis of financial data from IFS financial and accounting system, and in compliance with the principles defined in the documentation of adopted accounting principles (policy) in force in the Company.

Since 1 January 2005 Stalprodukt S.A. prepares financial statements in compliance with the International Financial Reporting Standards adopted by the European Union, and in the scopes that are not subject to the above standards - with the requirements of the Polish Accountancy Act.

The content-related supervision over the process of preparation of the Company's financial statements and periodical reports is exercised by the Financial Director, who performs the initial control of a financial statement, and then submits it for final verification to the Management Board.

The Office for Corporate Issues and Special Projects in the sector of the General Director is responsible for organisation of works related to preparation of annual and interim financial statements.

d) specification of shareholders who directly or indirectly hold significant packages of shares together with specification of a number of share held by such entities, their percentage share in share capital, total number of votes resulting from them and their percentage share in the total general number of votes at the general meeting of shareholders,

As at submission of this report, there are the following shareholders, who have at least 5 % of the total number of shares in the general meeting of shareholders:

- STP Investment S.A. holding 1 829 319 shares accounting for 32.78 % share in the 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 the 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 shares accounting for 1 066 100 shares accounting for 19.10 % share in the capital and 1 066 100 votes, accounting for 8.74 % of the total number of votes at the general meeting of shareholders.

Moreover, on 30 June 2016 an agreement was concluded on purchase of the Company's shares and uniform voting on the Company's general meetings of shareholders, and on uniform policy to be enforced in relation to the Company. Below there is a list of shareholders bound with such agreement and information on the amounts of shares held currently by them and votes on the general meeting of Shareholders:

- STP Investment S.A. holding 1 829 319 shares entitling to 5 875 691 votes on the general meeting of shareholders,
- Stalprodukt Profil S.A. holding 579 652 shares entitling to 1 095 488 votes on the general meeting of shareholders,
- Stalnet Sp. z o.o. holding 135 564 shares entitling to 383 572 votes on the general meeting of shareholders,
- Mr Piotr Janeczka holding 115 053 shares entitling to 574 913 votes on the general meeting of shareholders.

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At the date of submission of this report the shareholders, which entered into that agreement, held altogether 2 659 588 share accounting to 47.66 % share in the capital and 7 929 664 votes accounting for 65.01 % of the total number of votes at the general meeting of shareholder.

e) specification of holders of all securities entitling to special rights of control, together with description of such rights,

There are no securities entitling to special rights of control.

f) specification of all restrictions related to exercising of the voting rights, such as limitation of exercising of voting rights by holders of a specific part of or a number of votes, time limitations of exercising of voting rights or provisions, according to which, in cooperation with the company, the capital rights related to securities are separated from possession of securities,

At the moment there are no restrictions related to exercising of voting rights under the Company's shares.

g) specification of all restrictions referring to assignment of ownership rights to the issuer's securities,

A, B and E series of shares issued by the Company are registered shares privileged in respect to voting. Pertaining to § 12 sec. 1 of Stalprodukt S.A.'s Articles of Association: *disposal of registered shares requires written consent of the Management Board. A decision of the Management Board about consent or no consent should be given within 7 days as from the date of submission of a respective request. If no consent is given, the Management Board shall appoint a purchaser within 7 days. A purchaser will purchase the shares concerned for cash within 7 days in the Company's registered office.*

Remaining shares of the Company, that is C, D, F and G series, are bearer shares listed on the Warsaw Stock Exchange. There are no limitation in trading with those shares.

h) descriptions of principles concerning appointment and dismissal of members of management and their rights, in particular the right to decide about an issue or redemption of shares,

The Company's Management Board operates on the basis of the provisions of the Code of Commercial Companies and the Company's Articles of Association. According to the Company's Articles of Association, the Management Board consists of two to four members appointed for a period of three years by the Supervisory Board in the following manner: the President of the Management Board is appointed by the Supervisory Board from candidates appointed by the Members of the Supervisory Board, the other Members of the Management Board are appointed by the Supervisory Board at a request of the President of the Management Board. The Supervisory Board dismisses Members of the Management Board, save for the President of the Management Board.

The President and Members of the Management Board may be also appointed from outside the group of shareholders. An agreement with the President and Members of the Management Board is concluded on behalf of the Company by the President of the Supervisory Board or another its representative appointed among its Members.

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The Management Board represents the Company outside in relations with authorities, third parties, in court of law and outside.

The President of the Management Board individually or two Members of the Management Board together or one Member of the Management Board together with a Proxy are authorised to make declaration of will and affix signatures on the Company's behalf.

The Management Board is responsible for the Company's ongoing activities. Detailed manner of operation of the Management Board and issues that require a resolution of the Management Board, and issues that may be arranged by individual Members of the Management Board on its behalf are defined in the Regulation of the Management Board.

The Regulation is adopted by the Management Board on request of the President of the Management Board and it is then approved by the Supervisory Board.

i) description of the diversity policy applied to the issuer's administration, management and supervisory bodies

Stalprodukt S.A. does not have a formalised diversity policy in relation to the Company's administration, management and supervisory bodies. In respect to the Members of the Management Board and the Supervisory Board such persons are selected by the Supervisory Board and shareholders. Thus, the Company has no impact on shaping of the diversity policy in respect to these bodies.

In case of other positions specified in the Company's structure, the Company endeavours to ensure diversity in respect to gender, education and professional experience despite no document on diversity policy has been adopted. The deciding criteria of employee selection consists mainly of high qualifications and substantial preparation for specified function and position.

j) description of principles of amending the Issuer's Articles of Association and agreement,

An amendment of the Company's Articles of Association shall be approved by the General Meeting of Shareholders. Resolutions of the General Meeting of Shareholders on amendment of the Articles of Association require 3/4 of cast votes.

k) manner of operation of the general meeting of shareholders and its major rights and description of the rights of shareholders and the manner of their exercising, in particular the principles resulting from the regulation of the general meeting of shareholders, if such regulation has been adopted, unless such information result directly from legal provisions,

The Company's General Meeting of Shareholders acts on the basis of regulations defined in the code of Commercial Companies and the Company's Articles of Association. The manner of operation of the general meeting of shareholders and its major rights are defined in the Regulation of the General Meeting of Shareholders of Stalprodukt S.A., which has been approved with Resolution no XXVI/16/2010 of the General Meeting of Shareholders of 25.06.2010.

According to the Company's Articles of Association:

1. An ordinary or extraordinary General Meeting of Shareholders may be convened.
2. The ordinary General Meeting of Shareholders is convened by the Company's Management Board within 6 months from an end of every financial year.

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3. The extraordinary General Meeting of Shareholders is convened by the Company's Management Board on its own initiative or on request of a shareholder or shareholders representing at least 1/20 of the share capital. A request for convening of the extraordinary General Meeting must be submitted by a shareholder or shareholders in writing or in an electronic form.
4. The General Meeting referred to in sec. 3 adopts a resolution on whether costs of convening and organisation of the General Meeting are to be borne by the Company. The shareholders, on whose request the General Meeting is convened, may apply to the registration court for release from an obligation of payment of costs imposed under a resolution of the General Meeting.
5. The Supervisory Board may convene the ordinary General Meeting, if it has not been convened by the Company's Management Board in a period defined in the provisions of the Code of Commercial Companies or within 2 weeks from a respective request of the Supervisory Board, and it may convene the extraordinary General Meeting, if believes it is advisable.
6. Shareholders representing at least a half of the share capital or a half of total votes in the Company may convene the Extraordinary General Meeting. Shareholders appoint a chairperson of the General Meeting.

The General Meeting may adopt resolutions only on issues included in an agenda. The agenda is determined by the Company's Management Board. A shareholder or shareholders representing at least 1/20 of the share capital may demand that specified issues are included in the agenda of the next General Meeting. Such request should be submitted to the Management Board no later than 21 days before a specified date of the General Meeting. A request should contain an explanation and draft resolution on the proposed item of the agenda. A demand may be submitted in an electronic form.

Before a date of the General Meeting, a shareholder or shareholders representing at least 1/20 of the share capital may submit - in writing or via electronic communication means - draft resolutions on issues introduced to the agenda or issues that are to be introduced to the agenda. The Company shall publish promptly the draft resolutions on its website.

During the General Meeting, every shareholder may submit draft resolutions in issues in the agenda.

The General Meeting may adopt resolutions regardless of the number of present shareholders and represented shares, provided that an adoption of resolution of the General Meeting on increase of the share capital including subscription of new shares through private subscription or an open subscription by a specified addressee requires presence of shareholders representing at least one third of the share capital.

If the General Meeting convened for adoption of such resolution is not held because no quorum is present, another General Meeting may be convened, when the resolution may be adopted regardless of the number of shareholders present at the General Meeting.

Shareholders may participate in the General Meeting personally or through plenipotentiaries.

A power of attorney for participation in the General Meeting and exercising voting rights must be granted in writing or in an electronic form. If a power of attorney is granted in an electronic form, it does not need a safe electronic signature verified by means of a valid qualified certificate. The Regulation of the General Meeting defines the manner of notification on granted power of attorney.

Resolutions of the General Meeting are adopted with majority of cast votes, provided that a resolution on change of the subject of the Company's enterprise requires 2/3 of cast votes, while resolutions on amendment of Articles or Association, change of share capital or merger or liquidation of the Company

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require the majority equal to 3/4 of cast votes.

Resolutions are voted in open voting. Secret ballots are arranged in case of elections or request for dismissal of members of bodies or the Company's or resolutions on their liability. Moreover, secret voting is organised if it is requested by at least one person entitled to vote.

According to § 36 of the Company's Articles of Association, competences of the General Meeting of Shareholders include:

- Dismissal of the President of the Management Board.
- Examination and approval of the Company's annual financial statement, annual report of the Management Board on the activities of the Company and consolidated financial statement of the Capital Group.
- Decisions on the split of profits or coverage of losses.
- Acknowledgement of fulfilment of obligations by the Company's authorities.
- Amendments of the Company's Articles of Association.
- Increase or reduction of the Company's share capital.
- Change of the subject of the Company's enterprise.
- Merger of the Company or transformation of the Company.
- Liquidation of the Company, selection of liquidators and decision on the distribution of the Company's assets after liquidation.
- Issue of bonds.
- Decisions on claims for recovery of damages caused upon establishment of the Company and its management or supervision.
- Decisions on use of the supplementary capital and decisions on establishment and appropriation of capital reserves.
- Determining the profit share ratio for the Management Board and the manners of its payment.
- Other competences belonging to the scope of exclusive competence of the meeting of shareholders according to the Code of Commercial Companies, except consent for purchase or sales of real property, usufruct right or share in real property, which was left in the scope of competence of the Supervisory Board

I) members and changes that took place during the last financial year and description of operation of management, supervisory and administrative bodies of the issuer and their committees.

Members of the Management Board

In the period from 1.01.2017 to 31.12.2017 the Management Board consisted of:

Piotr Janeczek	- President of the Management Board,
Józef Ryszka	- Member of the Management Board,
Łukasz Mentel	- Member of the Management Board.

Members of the Supervisory Board

In the period from 1.01.2017 to 19.10.2017 the Supervisory Board consisted of:

Stanisław Kurnik	- Chairperson
Maria Sierpińska	- Deputy Chairperson
Kazimierz Szydłowski	- Secretary
Janusz Bodek	- Member
Magdalena Janeczek	- Member
Sanjay Samaddar	- Member
Tomasz Plaskura	- Member

In the period from 19.10.2017 to 30.11.2017 the Supervisory Board consisted of:

Janusz Bodek	- Chairperson
Sanjay Samaddar	- Deputy Chairperson
Magdalena Janeczek	- Secretary
Agata Sierpińska-Sawicz	- Member
Stanisław Stańdo	- Member

In the period from 30.11.2017 to 31.12.2017 the Supervisory Board consisted of:

Janusz Bodek	- Chairperson
Sanjay Samaddar	- Deputy Chairperson
Magdalena Janeczek	- Secretary
Agata Sierpińska-Sawicz	- Member
Romuald Talarek	- Member

Audit Committee

The Audit Committee consists now of the following persons:

- 1) Agata Sierpińska-Sawicz – Chairperson
- 2) Romuald Talarek – Deputy
- 3) Magdalena Janeczek – Member

Part III. Declaration on non-financial information

For preparation of this Declaration, Stalprodukt used mainly the Non-Financial Information Standard prepared by the Reporting Standard Foundation, but the final shape of the report and scope of disclosed information was adjusted to the specific nature of the Group's activities and significant differentiation of its individual operational segments.

1. Management area

1.1 Description of the business model and strategic directions of development

Since the beginning of its activities, Stalprodukt S.A. has based its economical strategy on 2 basic elements, that is organic development and acquisitions. Constantly changing micro- and macroeconomic environment requires constant optimisation and restructuring activities both in the Company and in the entire Capital Group. Thanks to this, the Company could focus on its core activities - production (in 2 main groups of products, that is transformer sheet and cores, and profiles and road barriers), while auxiliary and service activities are performed by subsidiaries. Such strategy enables optimisation of costs of operations while benefiting simultaneously from effects of the synergy between companies operating within the Group. Effects of the synergy cover for instance the following areas of the activities:

- Stalprodukt-Wamech Sp. z o.o. renders services related with production of spare parts of technological devices and equipment for Stalprodukt's production departments;
- Stalprodukt Serwis Sp. z o.o. render services related to designing of automation systems and control and measurement devices, modernisation of technical equipment, execution of industrial electric installations, etc.;
- Stalprodukt-MB Sp. z o.o. renders services of assembly of road barriers produced by Stalprodukt S.A.;
- Stalprodukt-Ochrona Sp. z o.o. renders security services (for Stalprodukt, companies with registered offices in Bochnia and external branches) while Karo Sp. o.o. renders services for the Zinc Segment;
- Cynk-Mal S.A. supplies galvanised sheets for production of profiles and road barriers by Stalprodukt S.A.;
- STP-Elbud Sp. z o.o. renders galvanisation services for Stalprodukt (including galvanisation of own steel structures for power industry);
- ZGH "Bolesław" S.A. supplies zinc for galvanisation company Cynk-Mal S.A. located in Legnica and galvanisation company STP Elbud Sp. z o.o. located in Bukowno;
- Olkusz-Pomorzany supplies zinc and lead concentrates to Huta Cynku "Miasteczko Śląskie" S.A.

Stalprodukt S.A. faces significant risk in its basic activities (steel industry) which is related to its cyclical nature.

This risk results from fluctuations of prices of raw materials, energy and formal and legal conditions of activities, as means of market protection, which are often applied (custom duties and quotas), which significantly disturb healthy competition.

The risk was partially diversified by purchase of shares in ZGH "Bolesław" S.A. (and directly of its subsidiaries) mining metal (zinc and lead) ores and producing zinc, lead, silver, and recycling of the above mentioned metals. The requirement of risk diversification is now reflected in 3 main operational

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segments of the Group: electrical Sheets, Profiles and Zinc, which account now for more than 90 per cent of the Group's revenues and its financial result.

The Management Board of the parent entity determines the directions of development of the Capital Group, coordinates the strategy of individual companies. It also initiates and supervises optimisation activities improving functioning of the Group. Such activities result, among others, in mergers of companies that have taken place during the last few years:

- merger of Ocykownia Stalprodukt-Bolesław sp. z o.o. with STP Elbud Sp. z o.o.,
- merger of subsidiaries of ZGH "Bolesław" S.A., that is Boloil S.A., Bolsped Sp. z o.o. and Boltherm Sp. z o.o., and establishment of Boltech Sp. z o.o.,
- merger of ZGH "Bolesław" S.A. and Bolesław Recycling Sp. z o.o.

Such activities contribute to simplification of the structure of the Capital Group and reduction of costs of its operations, while maintaining the current scope of performed functions and tasks.

Better use of production capacities and consequently increase in revenues from sales is one of the most effective means to fight against the growing tendency of costs and other charges imposed on the company. To execute it, not only productivity of all used production factors must be improved, but also it is necessary to achieve increasingly bigger shares in the markets, when the Company's products may be placed and earn higher revenues from that.

The financial plan for the current year, that is 2018, corresponds to the long-term objective of Stalprodukt's development, related among others to growth of sales of new products, handling of new markets and further possible diversification of activities, which is to be a condition of the profits earned in the future. The objective assumed in the plan requires fulfilment of adopted conditions about financing sources and effective management of working capital.

The Company's strategy is also based on conservative approach towards the manners of funding of its operations (fixed assets are fully financed from the equity). It ensures strong capital bases and financial independence thanks to safe level of indebtedness (or even no debts in many periods).

1.2 Corporate governance

For the purpose of this Report on activities, the companies of the Capital Group were allocated to the individual operating segments as follows (such classification complies also with the division into operational segments presented in Stalprodukt's separate and consolidated financial statements):

Segment	Companies	Subject of operations
Electrical Steel Segment	Stalprodukt S.A., the parent entity	Production of transformer sheet and cores.
Bent Profile Segment	Stalprodukt S.A., the parent entity	Production of cold-bent profiles, road barriers, hot- and cold-rolled sheets and strips.
	Stalprodukt-Centrostal Kraków sp. z o.o.	Wholesale and retail sales of metal products

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Zinc Segment	ZGH "Bolesław" S.A.	Mining of non-ferrous ores and production of zinc and lead
	Huta Cynku Miasteczko Śląskie S.A.	Production of rectified zinc, lead and cadmium
	Boltech sp. z o.o.	Energy, laboratory, mechanical and construction, equipment and forwarding services, production of dolomite crushed stone, zinc products and zinc alloys
	Gradir Montenegro d.o.o.	Mining of zinc ores and production of concentrate,
	Karo sp. z o.o.	Security services
Other	Stalprodukt-Wamech sp. z o.o.	Production of structures and spare parts, and rendering repair services
	Stalprodukt-Serwis sp. z o.o.	Refurbishment services
	Stalprodukt-Zamość sp. z o.o.	Manufacturing of woodwork and trading in metallurgical products
	Stalprodukt-MB sp. z o.o.	Construction and maintenance of roads, assembly of safety road barriers
	STP Elbud sp. z o.o.	Manufacturing of steel structures and galvanizing services
	Cynk-Mal S.A.	Manufacturing of galvanized steel and galvanized wire
	Anew Institute sp. z o.o.	Designing renewable energy sources
	Stalprodukt-Ochrona sp. z o.o.	Security services

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1.3 Key non-financial efficiency ratios

Stalprodukt's Management Board determined the key non-financial efficiency ratios, which were defined as follows:

- a) efficiency of operations, that is revenues per 1 employee,
- b) efficiency of energy consumption, that is consumption of energy per 1 unit of revenues.

In years 2016-2017 the above ratios for the parent entity and the entire Capital Group were as follows:

	Stalprodukt S.A.		Capital Group	
Specification	2016	2017	2016	2017
Revenues per one employee (in PLN thousand)	770.4	790.4	513.1	575.1
Energy consumption for 1 unit of revenues (GJ/PLN 1 thousand)	1.23	1.21	3.19	2.93

1.4 Social and environmental risk management

- Stalprodukt S.A.

Due to specific nature of conducted activities and related threats, Stalprodukt S.A. is particularly exposed to events that may affect safety of people and environment. Now the Plant is not classified in the category of increased or high risk of an occurrence of an industrial accident, which was shown by *the Plant Notification Analysis*. Despite that the Plant declares it will maintain the safety management system, which includes: Breakdown Prevention Programme and elements of the management system required by the Environmental Protection Act.

Moreover, a document determining the operating procedure in case of a breakdown, entitled "Instruction of Counteracting Serious Industrial Accidents in Stalprodukt S.A. in Bochnia" is in force. The purpose of the instruction is to ensure identification and counteracting of potentially hazardous events that may affect people and natural environment, and determination follow-up proceedings that reduce the consequences of occurrence of such potential events.

- ZGH "Bolesław" Group

Pertaining to the provisions of the Environmental Protection Act and on the basis of the provisions of the Regulation of the Minister of Development of 29 January 2016 on types and volumes of hazardous substances in a plant, on the basis of which the plant is included to a group of plants characterised by the increased or high risk of an industrial accident, ZGH "Bolesław" S.A. was classified in a group of High Risk Plants (ZDR) exposed to serious industrial accident due to use of zinc sulphate in the metallurgical technological line as the process medium.

Every substance used in the process of production of electrolytic zinc has valid material safety data

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sheet. According to recommendations of the producer, substances are transported, used and stored in compliance with indications specified in such safety sheets concerned.

To fulfil the legal obligations defined in the legal provisions, ZGH "Bolesław" S.A. prepared:

- Programme of Preventing Dangerous Breakdowns (PZA),
- Safety Report (RoB),
- Internal Operational and emergency Plan (WPOR),
- Instruction concerning operations of inhabitants in case of a breakdown and chemical hazard,
- Information about security means and the manner of operation in case of industrial accidents in ZGH "Bolesław" S.A.

In result of detailed analysis of hazards for the Company's installations and plants, as prepared for the purpose of the Safety Report, potential and representative emergency scenarios have been prepared. Performed risk analysis showed that there is no essential impact of the consequences of emergencies outside the area of the plant.

According to the Environmental Protection Act, due to the volume of stored substances that are very toxic for water organisms over the threshold value of 200 mg, Huta Cynku "Miasteczko Śląskie" S.A. is classified in the group of High Risk Plants in respect to occurrence of an industrial accident.

The plant prepared documents required by the Act concerned:

- Notification of the High Risk Plant,
- Programme of Preventing Breakdowns (PZA),
- Safety Report (RoB),
- Internal Operational and Emergency Plan (WPOR).

The above mentioned documents, in compliance with the provisions of the Act, were submitted to the Commander of the State Fire Service for Śląskie Voivodeship and the Environmental Protection Inspector for Śląskie Voivodeship.

- Other companies of the Capital Group

Due to the scale and volume of performed activities, the subsidiaries are not exposed to significant threats, which would impose significant risk for the environment. The Companies operate on the basis of internal provisions on safety of the environment.

Chemical rescue group operates in Cynk-Mal S.A. The group consists of employees of the Galvanised Products Plant. Members of the chemical rescue group participate in trainings related to serious industrial accidents aimed at check of resources, equipment and the staff in respect to their readiness for liquidation of potential consequences of breakdowns and fighting against potential ecological threats. The Galvanised Products Plant is classified as "Other Potential Entities Causing of Serious Industrial Accidents".

1.5 Ethics management

The document entitled "Stalprodukt's Mission" presents the most important values according to which the Company's staff acts. Among them one should mention: quality of products and processes, meeting customer expectations, raising value of shareholders, timely fulfilment of obligations, excellent cooperation with suppliers, environmental protection, ethics and culture.

All companies of the Group adopted Work Regulations containing all provisions resulting from the Labour Code. Moreover, applied business principles are based on generally accepted norms and values.

The Ethical Code is prepared at the moment and it will be implemented in the entire Capital Group in 2018.

2. Environmental Area

The enterprises constituting the Capital Group are autonomous in the field of their operating activities. Due to differentiated profiles and specific characteristics of operations of companies forming the Capital Group, management of the environmental areas is based on solutions basing on certified management systems implemented in individual subsidiaries.

All elements of companies' operations, which may have impact on the environment, were identified. Taking into account the specific nature of industries belonging to the Capital Group, we are particularly aware of their significant impact on the environment. The impact of environmental aspects identified in the Capital Group entities is constantly monitored, and the activities mitigating negative impact on the environment are performed.

Closed circle economy model is getting increasingly more important for the future of economy and the environment.

ZGH "Bolesław" Group is an example of creation of a closed circle in galvanisation industry, which complies perfectly with the EU policy. The assumptions of this policy prefer economy, in which resources are used in a more sustainable manner, that is through rationalisation of earth resources and increasing the share of recyclable materials.

The report includes data from two main segments of the Group's operation, whose activities have significant impact on the environment. Companies with insignificant environmental impact were omitted in this part of the report, and all units act on the basis of regulations related to environmental protection and are subject to monitoring.

- Stalprodukt S.A.

Stalprodukt S.A. is the leading enterprise in the field of production and sales of highly processed steel products. The quality assurance policy of this company is executed through management of the product quality level by means of the certified Quality Management System, that meets the requirements of ISO 9001. The integrated Quality and Environment Management System, that functions in Stalprodukt S.A., covers processes related to sales of electric sheets and strips, sheets and strips made of non-alloy steel, cold-bent profiles, protective road and bridge barriers, rolled, folded cores and profiles, sheets cuts from

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hot-and cold rolled steel sheet and power managements, water, sewer and waste management related to production processes and social waste.

The Environment Management System used in Stalprodukt S.A. in respect to production and sales of steel products conforms with international norm ISO 14001 and determines the most essential elements of mutual impacts between the company and the environment, and the direction of continues improvements in the sphere of designing, production, supplies of our products to customers and disposal of waste and subs-standard products.

Planning and performance of Stalprodukt S.A.'s activities for the environment refer in particular to application of technologies compliant with the best available BAT techniques, reduction of consumption of resources, materials and energy, reduction of emission of pollution to the environment, minimisation of the volume of produced waste and their proper handling, fulfilment of legal norms and other norms referring to the environmental aspects, raising employees' awareness on the impact of their work on the environment and potential consequences of non-compliance with applicable principles of operations.

Individual installations possessed by Stalprodukt S.A. are operated under permits issued by competent bodies. Two installations are subject to the system of trading in CO₂ emissions.

Administrative decisions held by Stalprodukt S.A. in 2017 include:

- integrated permit for waste landfill in Borek Decision - permit required by the Water Act for particular use of water through collection of surface waters,
- permit required by the Water Act for particular use of water through removal of purified rainwater and snowmelt water, drainage water from the area of the plant and post-cooling water to surface waters of Raba river Decision - permit for waste generation in the profile production department P3,
- integrated permit for installations of the Transformer Sheet Department
- permit for waste generation in the profile production department P4,
- permit for waste processing in the recovery process,
- integrated permit for operation of industrial waste treatment installations,
- permit for emission of greenhouse gases from the boiler room Decision - permit of removal of gases and dust to the air from the installation of profile production department P2 and the from Company's boiler room,
- permit for waste generation for the profile production department P2,
- permit for emission of greenhouse gases from the installation of the Transformer Sheet Department Decision - permit required by the Water Act for profile production department P4,
- permit required by the Water Act for waste landfill in Borek Decision - approval of the instruction for operation of waste landfill of Stalprodukt S.A. in Borek.

The company maintains registers of legal acts and environmental aspects on ongoing basis. Measurements of gas and dust emissions are performed in compliance with the applicable standards, as well as measurements of noise emission to the environment and monitoring of consumption of energy resources and fuels. Stalprodukt S.A. has own waste landfill that is monitored in compliance with applicable provisions. According to the Act on Waste, the restoration fund for the waste landfill is maintained. According to the Act on Waste, the restoration fund for the waste landfill is maintained.

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Reports on waste management, package management, water and sewage management, gas and dust emission, as well as pollution release and transfer (PRTR) are submitted to respective offices in time. Reports on calculated and paid fees for use of the environment are also submitted to marshal offices.

In 2016 the following administrative decisions on use of the environment was obtained:

- Decision – permit for emission of greenhouse gases from the Company's boiler room
- Decision – amendment of the decision allowing generation of waste, which has been granted for the installation of P4 Department
- Decision – permit for emission of gases and dust to the air from the installations of P2 Department and the Company's boiler room
- Decision – amendment of the decision on the permit for emission of greenhouse gases from the installations of the Company's boiler room
- Decision – permit for generation of waste, which has been granted for the installation of P2 Department.
- Decision – amendment of the decision on integrated permit for operation of industrial waste treatment installations.

In 2017 the following administrative decisions on use of the environment was obtained:

- Decision - permit for CO₂ emission for the installations of the Transformer Sheet Department
- Decision amending the permit for generation of waste, which has been granted for the installation of P2 Department.
- Decision - permit required by the Water Act for P4 Department in Tarnów
- Decision - permit required by the Water Act for waste landfill in Borek
- Decision – amendment of the decision allowing generation of waste, which has been granted for P2 Department
- Decision amending the decision on the integrated permit for installations of the Transformer Sheet Department

- ZGH "Bolesław" Group

The analysis of environmental aspects of ZGH "Bolesław" S.A. activities includes all companies included in the Zinc Segment. Due to the scale of environmental impact, besides ZGH "Bolesław" S.A., the environment is affected by Huta Cynku "Miasteczko Śląskie" S.A. and BOLTECH sp. z o.o. Gradir Montenegro d.o.o.'s activities performed in Montenegro include mining on ores and production of zinc-lead concentrates. The company is subject to the jurisdiction in Montenegro and acts on the basis of legal regulations, including the environmental ones.

The environmental policy of all companies from ZGH "Bolesław" Groups is aimed at adjustment to the growing requirements of environmental protection. The Companies actively undertake activities aimed at introduction of measurements of gas and dust emission in compliance with applicable provisions, as well as measurements of noise emission to the environment and monitoring of consumption of energy resources and fuels. Waste records are maintained in compliance with the Act on Waste.

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Legal acts are updated on ongoing basis. Reports on waste management, package management, gas and dust emission.

Reports on calculated and paid fees for use of the environment are also submitted to marshal offices.

The formal and legal status of ZGH "Bolesław" in respect to use of the natural environment in respect to all its components has been regulated, including the integrated permits for:

- installation for production of electrolytic zinc and its components (valid for indefinite duration),
- installation of zinc oxide deep dechlorination, defluorination and leaching (for indefinite duration),
- installation for flotation enrichment and filtration of waste from zinc hydrometallurgy (for indefinite duration),
- IPPC installation for rotary furnaces for production of zinc concentrates of zinciferous waste materials in the rolldown process (for indefinite duration).

Moreover, it has the following sectoral environmental decisions:

- permit for waste generation for the Mining and Processing Part of ZGH Bolesław S.A. (valid until 2025),
- decision permitting for operation of a unit of disposal of extractive waste (valid until April 2022),
- permit of generation of extractive waste acquired from the unit of disposal of extractive waste (valid until June 2027),
- permit for waste processing in the recovery process in the Mechanical Processing Department of Olkusz-Pomorzany (valid until January 2025),
- permit for waste processing in the recovery process in the units of neutralisation of extractive waste (valid until January 2025),
- permits of use of waste with code 10 05 80 to fill in areas that have been adversely transformed - excavation Bolesław (valid until January 2025),
- extractive waste management programme approved with decision dated 30 November 2017,
- permit for waste generation, including processing in the recovery process by means of flotation enrichment of waste with code 01 03 81 acquired (excavated) from the unit of neutralisation of extractive waste - sediment ponds of flotation waste in the Flotation Waste Processing Plant in ZGH "Bolesław" S.A. (valid until July 2027),
- permit for emission of the following volumes of gases and dust to atmospheric air by the installations of boiler rooms "Bolesław", "Dąbrówka", "Olkusz" (valid until December 2025),
- decision on drainage of mining plant, collection and release of water and sewage through the sewer installation: Dąbrówka and Southern, valid until December 2019, decision on drainage of mining plant through the intake in liquidated mineshaft Mieczysław, valid until December 2019. Decision – Integrated permit for industrial waste water treatment plant (valid for indefinite duration).

The legal condition of HC Miasteczko Śląskie in respect to environmental protection in 2017 was regulated by the following documents:

- integrated permit for the installation for metal production from metal ores, concentrates and recovery products from metallurgical and chemical processes of 28 March 2012 - decision of the

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Marshal of Śląskie Voivodeshp no 726/OS/2012 amended with decision no 1723/OS/2013 of 5 August 2013, no 2706/OS/2014 of 24 November 2014 and no 1296/OS/2015 of 25 June 2015,

- integrated permit for hazardous waste landfill of 4 November 2014 - decision of the Marshal of Śląskie Voivodeshp no 2240/OS/2014 amended with decision no 2382/OS/2014 of 4 December 2014,
- permit required by the Water Act of 29 March 2013 – decision of the Marshal of Śląskie Voivodeshp no 780/OS/2013,
- permit for emission of greenhouse gases of 1 February 2017 – decision of the Marshal of Śląskie Voivodeshp no 00322/OS/17 (it replaced permit no 1908/OS/2011 of 28 June 2011).

BOLTECH sp. z o.o. has in place the certified Integrated Management System based on norms ISO 9001, ISO 14001 and PN-N 18001 in relation to production of dolomite crushed stone, zinc products and polyurethane products.

- Other companies of Stalprodukt Capital Group

This includes only the companies, whose impact on the environment may be considered significant. It refers in particular to companies: Stalprodukt-Zamość sp. z o. o., STP Elbud sp. z o. o. and Cynk-Mal S.A. Taking into account the scale of activities of the other companies of the Capital Group, their influence on the environment is insignificant, so they are not discussed in the environmental area. It should be mentioned that all subsidiaries located in Bochnia in Stalprodukt S.A.'s territory are subject to the supervision system in force in the parent company. Moreover, all outsourced processes are subject to supervision. The supervision is ensured by agreements defining all legal and qualitative requirements.

Stalprodukt-Zamość spółka z o.o. is a producer of steel doors, aluminium joinery and sectional doors. It also trades in steel products. The company's quality assurance policy is fulfilled by means of a certified company production control system.

Administrative decisions held by Stalprodukt-Zamość sp. z o.o. in 2017 include:

- Permit for emission of gas and dust into the air
- Decision – permit for generation of waste.
- Decision - permit required by the Water Act for particular use of water in respect to its collection from own intake.

STP Elbud sp. z o.o. is a producer of hot dip galvanized steel constructions for power, telecom, construction and road building industries. The quality assurance policy of this company is executed product quality management by means of a certified tool in form of the Integrated Management System, that meets the requirements of norms ISO 9001, ISO 14001, EN 1090-1, EN 1090-2 and ISO 3834-2. The the Integrated Management System in "STP ELBUD" sp. z o. o. covers processes related to execution and hot dip galvanisation of steel structures.

Administrative decisions held by STP Elbud sp. z o.o. in 2017 include:

- Decision - permit for waste generation granted for the installation for production of steel structure in the area of the Steel Structure Department in Kraków
- Decision - permit for emission of gas and dust in the air from the installation for production of steel structure in the area of the Steel Structure Department in Kraków

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- Decision - integrated permit for hot dip galvanisation installation for the Product Galvanisation Department in Bukowno
- Decision - permit for emission of gas and dust in the air for the installation of steel structure painting in the Product Galvanisation Department in Bukowno
- Decision - permit for waste generation for the installation of steel structure painting in the Product Galvanisation Department in Bukowno.

The main subject of activities of production plant Cynk-Mal S.A. with registered office in Legnica consists of production and sales of hot dip galvanised products and rendering services of hot dip galvanisation. The company has an innovative manufacturing technology, the possessed line of continuous galvanisation of steel strips enables services related to anti-corrosion protection. Installations possessed by Cynk-Mal S.A. are operated under permits issued by competent bodies.

Administrative decisions held by Cynk-Mal S.A. in 2016 and 2017:

- Decision - integrated permit, ref. no DM.S.IV.7650-2858/08/10, letter no IV/LS/7660-46/352-III/09/10, Decision no PZ 184/2010 dated 20.08.2010.
- Decision - integrated permit, ref. no DOW-S-IV.7222.108.2014.LS, letter no 690/12/2014, Decision no PZ 184.1/2014 dated 04.12.2014.
- Decision on waste generation (sectoral permit), ref. no DM-S.V.7654-2859/08/10 L.dz.V/KB/7654-69/353-III/0, Decision no P 48/2010 dated 20.08.2010.
- Amendment of decision on waste generation (sectoral permit), ref. no DOW-S-V.7221.62.2012.RSt, L.dz.1818/11/687-III/12, Decision no P 48.1/2012 dated 09.11.2012.
- Permit required by the Water Act for removal of rainwater purified by a sand trap from the area of the plant to drainage ditch, ref. no ER.6210/14-1/99 of 19.07.1999.
- Permit required by the Water Act for particular use of waters, that is water collection from underground water intake (drilled well no 1), ref. no OŚR.6210/8/2005 dated 22.07.2005.

All the foregoing companies monitor consumption of energy resources and fuels. The obligation of recovery and recycling of package materials is executed by means of recovery organisation.

Reports on waste management, package management, water and sewage management, gas and dust emission. Reports on calculated and paid fees for use of the environment are also submitted to marshal offices.

2.1 Consumption of resources and materials

The following tables present specification of consumption of the most important materials used in the production processes.

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Organisational unit	Type of material	Unit	Consumption	
			2017	2016
Stalprodukt S.A.	Hot-rolled sheet	thousand Mg	335.2	376.0
	Cold-rolled sheet	thousand Mg	25.1	30.1
	Galvanised sheet	thousand Mg	5.0	2.4
	Value of consumed resources as % of the value of revenues	%	68	61
ZGH "Bolesław" Group	Ore mined in "Olkusz-Pomorzany" mine	thousand Mg	1 716	2 147
	Ore mined in Gradir Montenegro mine	thousand Mg	534	586
	Purchased ore	thousand Mg	54	8
	Imported sulphide concentrates	thousand Mg	85	102
	Concentrates made of flotation waste ⁽¹⁾	thousand Mg	10	0
	Imported oxides ⁽²⁾	thousand Mg	31	37
	Dust and other zinciferous waste ⁽³⁾	thousand Mg	224	187
	Value of consumed resources as % of the value of revenues	%	48	43
Other companies of the Capital Group	Steel	Mg	26 978	26 309
	Zinc	Mg	2 229	2 345
	Hydrochloric acid	Mg	186	204
	Paints	Mg	100	45
	Nitrogen	Mg	983	1 106
	Hydrogen	m ³	167 304	160 946

¹ – originating from recycling

² – originating from recycling

³ – originating from recycling

The business profile of individual companies in the Capital Group is strongly differentiated, so demand for materials used for production is also differentiated, which can be seen in the following specification.

The characteristics of consumption of materials in Stalprodukt S.A.

Almost 90 % of purchases made by Stalprodukt consist of hot- and cold-rolled sheet coils. This material is purchased directly from steelworks. The Company's biggest supplier is: ArcelorMittal Europe – Flat Products. Materials are used in the core production processes performed in the Company, which are related to production of electric sheet, transformer sheets, cold-bent profiles and road barriers. It should be mentioned that materials for production of individual products have various technical parameters, that is the chemical composition, grade of steel, thickness and width coils, etc.

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Hot-and cold-rolled sheet are also used in service centres owned by the Company and they perform longitudinal cutting of coils (into strips) or cross cutting (into sheets). In compliance with assumed specialisation, the hot-rolled sheet service centre is located in Bochnia, while the cold-rolled sheet service centre is located in Tarnów.

Strips are used mainly for internal purposes of Stalprodukt, it is the feedstock for profiling lines for the Company's production departments located in Bochnia (department P2), in Kraków (department P3) and Tarnów (department P4). Cut sheets are sold only to external customers of Stalprodukt, both directly and through Stalprodukt's domestic sales chain.

Consumption of materials in Zinc Segment

Particular attention should be paid to consumption of materials in ZGH "Bolesław" Group. The zinc production technology is based mainly on mined ZnS concentrates and concentrates produced from zinciferous waste. These are own resources and bought ones.

ZGH "Bolesław" S.A. owns the last zinc mine functioning in Poland, "Olkusz-Pomorzany", which produces concentrates for both Huta Bolesław, and HC "Miasteczko Śląskie" S.A. Facing diminishing deposits of zinc and lead ores, the Company focused its resources policy on improvement of manufacturing technologies based on recycled materials. Such approach enables reduction of waste and use of primary resources. Therefore, the second feedstock in zinc production, after mined ZnS concentrate, is ZnO concentrate - zinc oxide obtained from processing of metallurgical dust. Metallurgical dust is the waste material from steel production in electrical steel shops. Zinc concentrate is obtained in Waelz process from waste containing several percent of zinc. Another element of creation of the closed circle in the zinc industry is use of waste from ore flotation enrichment stored in sediment ponds.

In 2017 the Flotation Waste Processing Plant was launched and it recovers zinc and lead minerals in form of qualified concentrate. Such concentrate serves as the feedstock for production of zinc and lead in Huta Cynku „Miasteczko Śląskie” S.A. Works and economical analysis are now performed on possibilities of production of selective zinc concentrate, that could be used in the electrolysis processes in Huta Bolesław. The missing amount of feedstock is bought by the Capital Group, mainly it is imported from Australia, Mexico, Balkans, Germany, Sweden. They include: primary sulphide concentrates, zinc oxides, metallurgical dust, ores and other zinciferous materials.

2.2 Consumption of fuels and energy

The following tables present consumption of energy by their main sources of origin.

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Organisational unit	Type of energy	Unit	Consumption	
			2017	2016
Stalprodukt S.A.	Electricity	GJ	652 436	630 435
	Natural gas and propane-butane	GJ	584 331	574 128
	Bituminous coal	GJ	343 479	343 479
	Fuels	GJ	5 453	5 133
	Fuel oil	GJ	1 630	1 435
ZGH "Bolesław" Group	Electricity ⁽¹⁾	GJ	2 268 000	2 210 400
	Coke and fly ash ⁽²⁾	GJ	4 253 956	4 149 441
	Natural gas	GJ	1 124 491	1 110 386
	Bituminous coal	GJ	497 771	468 436
	Thermal energy	GJ	441 668	442 828
	Fuel oil	GJ	3 390	3 574
Other companies of the Capital Group	Electricity	GJ	41 422	41 402
	Natural gas and propane-butane	GJ	38 260	30 751
	Thermal energy	GJ	7 143	7 353
	Fuels	GJ	4 954	4 548

¹ – consumed mainly by ZGH "Bolesław" S.A.

² – consumed mainly by HC "Miasteczko Śląskie" S.A.

Stalprodukt S.A. performed activities aimed at reduction of use of energy resources. They include among others:

- meters of collected heat, electricity, drinking water, industrial water;
- charging costs to individual organisational units;
- assembly and modernisation of industrial automation systems.

Particular attention should be paid to consumption of energy by companies from ZGH "Bolesław" Group. Due to the specific character of activities, companies belonging to ZGH "Bolesław" are energy consuming companies like all other companies in the industry. Despite environmental impact, high energy consumption translates into costs of zinc production. In result of this, the company has conducted responsible and active policy of energy consumption for many years, which includes:

- reduction of consumption of energy through investments in modern machines, devices and technologies,
- development of network infrastructure improving the energy security,
- activities of organisational and legal nature, including appointment of the Electricity Management Department and participation in active creation of free electricity market through management of the Chamber of Industrial Energetics and Recipients of Energy, establishment and managing the Forum of Recipients of Electricity and Gas, cooperation with the Energy Regulatory Office, Ministry of Economy and Ministry of Environment,
- works on technological heat recovery from Waelz process.

2.3 Consumption of water

The following tables present consumption of water by their main sources of origin and the purpose of their use.

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Organisational unit	Characteristics and origin of water	Unit	Consumption	
			2017	2016
Stalprodukt S.A.	Water supply network	m ³	33 743	30 866
	Intake of surface water	m ³	623 525	613 079
	Water consumption for social and living purposes	%	5.1	4.8
	Consumption of industrial water	%	94.9	95.2
	Reuse of industrial water	%	37.9	43.5
ZGH "Bolesław" Group	Water received from drainage of mining works ⁽¹⁾	thousand m ³	110 367	110 209
	Underground water ⁽²⁾	thousand m ³	1 833	1 658
	Water consumption for social and living purposes	%	2.4	2.7
	Consumption of industrial water	%	97.6	97.3
	Water supply network - PWiK Olkusz ⁽³⁾	m ³	4 391	4 143
Other companies of the Capital Group	Water supply network	m ³	19 126	19 034
	Water consumption for social and living purposes	%	36.2	24.2
	Consumption of industrial water	%	63.8	75.8

¹ – recipient ZGH "Bolesław" (used water is released as surface waste water after its industrial use and purification)

² – recipient HCM

³ – water used only by Boltech, the other part of water consumed by Boltech comes from water supply network of ZGH "Bolesław"

The main water source for Stalprodukt S.A. is the own intake that is operated in compliance with the conditions defined in the permit required by the Water Act.

The biggest water demand is generated by the Electric Sheet Segment.

Consumption of drinking and technological water is recorded by a meter. Moreover, periodical monitoring of the natural environment is performed in respect to examination of water and waste water in compliance with required permits and applicable legal provisions.

A distinguishing element in the analysis of the water consumption structure is use of drainage water from "Pomorzany" mine by ZGH "Bolesław". This specific condition has an impact on the approach to the water circulation in the company. Water is essential for production of concentrates and zinc. It is used, among others, during flotation enrichment of ores and waste, waste hydrotransport and in the metallurgical technological process. The largest amount of water is necessary for flotation process. Thus water is a very valuable and strategic resource. ZGH "Bolesław" uses water from drainage of a mine for all technological processes. In case of the Mechanical Processing Department of Olkusz-Pomorzany and the Flotation Waste Processing Plant, drainage water circulates between the ore enrichment plant, waste recovery plant and the extractive waste neutralisation plant - flotation waste sediment ponds.

In case of other companies of the Capital Group, water necessary for business activity comes mainly from water supply network and its use is regulated by respective agreements. Only in case of Stalprodukt-Zamość spółka z o.o., the majority of water comes from own intake

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2.4 Protection of biodiversity

The activities of all companies of the Capital Group do not cover directly the legally protected areas. None of the companies conducts activities in direct range of environmental impact of national parks, complexes and spa areas, areas listed in the list of national heritage and areas included in programme Natura 2000. Only in vicinity of the operations of ZGH "Bolesław", there is the borders of Jurajski Landscape Park and ecological area of Natura 2000, that is Błędów Desert (PLH 120014).

2.5 Emission to the air

The following table shows the volume of emission of harmful substances to the atmosphere.

Organisational unit	Type of emission	Unit	Volume of emission	
			2017	2016
Stalprodukt S.A.	CO ₂	Mg	64 318	62 289
	CO	Mg	107	114
	Dust	Mg	2.6	4.2
	SO ₂	Mg	74	95
	NO _x	Mg	47	46
	Aromatic and aliphatic hydrocarbons	Mg	0.90	0.85
ZGH "Bolesław" Group	CO ₂	Mg	572 929	548 424
	CO	Mg	1 280	186
	Dust	Mg	33	27
	SO ₂	Mg	1 129	1 176
	NO _x	Mg	172	134
	Zinc	Mg	4.4	4.1
	Lead	Mg	1.1	1.1
Other companies of the Capital Group	CO ₂	Mg	1 638	1 198
	CO	Mg	0.51	0.42
	Dust	Mg	0.61	0.78
	SO ₂	Mg	0.01	0.02
	NO _x	Mg	1.95	1.53
	Chlorine	Mg	1.74	1.69

Monitoring of emission of gases and dusts in Stalprodukt S.A. and subsidiaries is performed in compliance with the applicable regulation on requirements concerning measurements of emission volumes and obligations imposed under administrative decisions.

The following methods of reduction of emission to the atmosphere were implemented:

- Sources of emission of dust are equipment with dust extraction systems, such as: cyclone and multicyclone batteries and various types of filters.
- The source of emission of sulphuric acid is equipped in 2-chamber absorption cleaner,

Performed measurements did not show any excess of emission, and reports on measurements were submitted to the Marshal Office and the Voivodeship Inspectorate of Environment Protection.

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Emission to the air in no case are hazardous to the applicable air quality standards, and in the residential areas they account for a small fraction of allowed values. Measurements of emissions, are performed every year in compliance with the reference methodology and they point out that the air quality standards are maintained.

ZGH "Bolesław" Group, as one of the biggest companies in the zinc processing industry in Poland may not and does not avoid responsibility for the condition of the surrounding environment. Mining of Zn-Pb ore, and then its processing and zinc production are inherently related with impact on environment. The Group executes the programme of systematic reduction of process emission to the environment in all its components. These activities will result in compliant emission parameters with the EU legislation and the national legislation. Industrial installations fulfil strict emission norms, and the state of atmosphere protection and impact of activities on the surrounding is controlled systematically by the state environment protection services. High level of environmental protection is confirmed by the fact that sectoral decisions and integrated permits have been acquired and maintained.

In the upcoming years the Group intends to continue and follow the adopted strategy focused on implementation of the idea of sustainable development on every stage of executed production process, reducing its negative environmental impact in this manner.

In 2017 ZGH Bolesław S.A.'s installation participates in the emission trading system due to its inclusion in the structure of Bolesław Recycling Sp. z o.o.'s installations. As at 31.10.2017, a decision -permit for emission of greenhouse gases was issued for the installation. The system implementation process is supervised by the Department of Integrated Systems and Trading in Emissions.

2.6 Waste management

Volume of generated waste is presented in the following table.

Organisational unit	Type of waste	Unit	Volume	
			2017	2016
Stalprodukt S.A.	Hazardous waste	Mg	2 256	2 323
	Non-hazardous waste	Mg	34 604	34 675
	<i>Total waste</i>	<i>Mg</i>	<i>36 860</i>	<i>36 998</i>
	Stored waste	Mg	948	907
	Recovered waste	Mg	1 553	1 579
	Waste delivered to recovery organisations	Mg	34 359	34 512
ZGH "Bolesław" Group	Hazardous waste	thousand Mg	119.7	123.4
	Non-hazardous waste	thousand Mg	1 357.9	1 518.2
	<i>Total waste</i>	<i>thousand Mg</i>	<i>1 477.6</i>	<i>1 641.6</i>
	Stored waste	thousand Mg	1 429.0	1 597.8
	Recovered waste	thousand Mg	48.6	43.8
Other companies of the Capital Group	Hazardous waste	Mg	2 109	2 003
	Non-hazardous waste	Mg	2 936	3 028
	<i>Total waste</i>	<i>Mg</i>	<i>5 045</i>	<i>5 032</i>

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Administrative decisions defined types and volumes of waste allowed to be generated during the year. Waste records are maintained. The landfill is monitored in compliance with applicable provisions and held administrative decisions. The company keeps also the records of waste, which is stored and provided to other entities parent permits for such waste managements.

All places of waste storage are marked and secured properly against access of unauthorised persons. The company has drafted and updates the Instruction on industrial and package waste management in Stalprodukt S.A. Waste is stored and selected in specified areas, which do not impose a threat for the environment. Waste is delivered to entities, which have respective rights to manage specific types of waste.

The obligation of recovery and recycling of package materials is executed by means of recovery organisation and agreements.

In case of ZGH "Bolesław", the main objective of the followed rational waste management policy is further use of own waste coming from technological lines at every stage of production, and foreign waste (from outside) for the purpose of maximum Zn recovery without impact on natural environment.

In respect to own waste, construction and technical and technological launch of Flotation Waste Processing Plant is evidence of such activities. This unique technology, not only for ZGH Bolesław S.A., but for the entire country and the world, enables production of zinc concentrates on the basis of flotation waste deposited in sediment ponds. They constitute the additional feedstock for production of metallic zinc in the metallurgical works of ZGH Bolesław S.A. Capital Company. This is a reliable confirmation of business, but also ecologically effective consumption of available waste (resources) in accordance with the principle of sustainable development.

Volume of generated waste water is presented in the following table.

Organisational unit	Waste water	Unit	Volume	
			2017	2016
Stalprodukt S.A.	Total volume of water and waste water	thousand m ³	1 257	1 197
	Removed	thousand m ³	427	357
	Purified	thousand m ³	829	840
ZGH "Bolesław" Group	Total volume of water and waste water	thousand m ³	113 944	113 532
	Removed ⁽¹⁾	thousand m ³	110 367	110 209
	Purified	thousand m ³	3 577	3 323

¹ – refers to water originating from drainage of "Pomorzany" mine

Part of the technological waste in Stalprodukt S.A. after its purification is reused in the technological process. Industrial waste is purified in own waste water treatment plant. Purified was is used in the technological process in significant part, and partially released to the river under held integrated permit.

In the metallurgical part of ZGH "Bolesław" Group, used drainage water, as technological waste, are purified in the company's waste water treatment plant before it is released to a surface reservoir.

The quality parameters of mining and technological water released to Baba and Biała rivers, and Warwas watercourse belonging to catchment area of Biała Przemsza does not entail significant physical, chemical and biological changes, that would prevent from correct functioning of water ecosystems.

BOLTECH sp. z o.o. does not produce industrial waste. In the installations, the cooling water is in closed circulation.

In Stalprodukt-Zamość sp. z o.o. and STP Elbud sp. z o.o., municipal waste is released to the sewage system under an agreement on water supplies and waste water removal.

In Cynk-Mal S.A. technological waste is not released to water or soil. It is also not released to the sewage system. Generated waste water in form of acid water solutions are treated as waste and supplied to entities that have permits for management of such waste. Social and household waste is measured and released to sanitary sewage system of a separate entity under an agreement. The integrated permit imposed an obligation of waste water quality analysis to be performed at least once a year. The Company fulfils this obligation. Performed analyses of the general suspension and petroleum hydrocarbons do not show any exceeded limits. Analyses are submitted by deadlines defined in legal provisions.

2.7 Other environmental aspects

In the reporting period no administrative proceedings were pending in relation to violation of the provisions on environmental protection by the groups belonging to the Capital Group.

There were no breakdowns with environmental result took place, and no environmental provisions were violated.

Besides the areas of environmental impact described above, the operating activities of the units of company do not generate any particular factors, which would affect the surrounding environment.

2.8 Extended environmental liability

- Stalprodukt S.A.

The applied environmental management system complying with the international standard ISO 14001 makes it possible for the Company to determine the significant elements of mutual impact between the company and the environmental and undertaking constructive activities in the area of designing, production, product deliveries and waste disposal. The environmental management system is included in the company's general management system.

Activities supporting the natural environments are planned and performed. They refer mainly to:

- use of materials and technologies that are considered to be least harmful according to the available knowledge,
- reduction of pollution emissions to the atmosphere,
- proper waste management,
- preventing serious industrial accidents,
- fulfilment of the requirements of legal and other acts referring to identified aspects,
- raising awareness of employees about impact of the work performed by them on the natural environment and potential consequences of their failure to comply with the applicable principles of conduct.
- taking account of economic conditions while determining activities.

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The above activities were included in the document entitled "Stalprodukt S.A.'s Environmental Policy". Having determined the environmental purposes of objectives, technological and financial options, operating requirements resulting from operation of the company, and points of view of parties concerned are taken into account. Objectives and tasks comply with the agreed Environmental Policy. Stalprodukt S.A.'s top management performed regular reviews of ZSZJiZŚ (the Integrated Quality and Environment Management System). The aim of the reviews is to perform usability, adequacy and efficiency assessments of the functioning ZSZJiZŚ (the Integrated Quality and Environment Management System), assessment of compliance with the defined policy and achievement of quality and environmental purposes, possibilities of improvement and a need to introduce changes in the system.

Stalprodukt S.A. identified environmental aspects related to activities, products and services and defined aspects with significant impact on the environment. Factors with significant environmental impact are taken into account, when environmental purposes are defined. Identified significant environmental aspects refer among other to handling of substances that may cause a serious industrial accident.

In its premises, the company performs trainings on serious industrial accidents, which are aimed to check the resources, equipment and staff in case for recovery and fighting against potential ecological threats. At the moment, Stalprodukt S.A. is not qualified as a high risk company (ZDR), or increased risk company (ZZR) in respect to occurrence of a significant industrial accident.

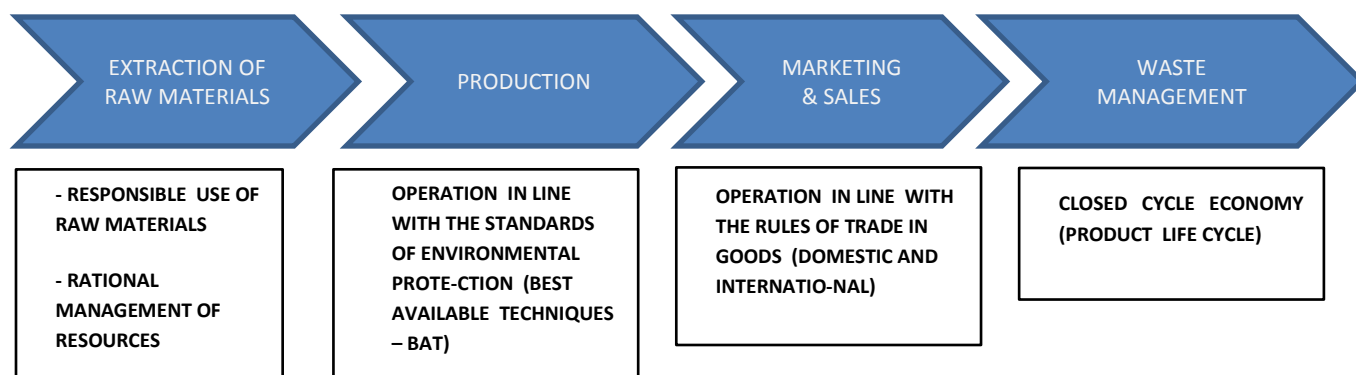
To ensure proper activities in extraordinary situations, emergencies, and to prevent their negative consequences for the environment, materials, processes and activities were defined, which may cause such situations, principles of operation in case of their occurrence, resources and forces at disposal and principles of organisation in case of recovery after an accident. Moreover, activities to be performed for protection against breakdowns were defined.

- ZGH "Bolesław" Group

ZGH "Bolesław" SA, as one of the biggest companies in the zinc processing industry in Poland may not and does not avoid responsibility for the condition of the surrounding environment. Mining of Zn-Pb ore, and then its processing on all production stages are inherently related with impact on environment. The Company executes the programme of systematic reduction of process emission to the environment in all its components. These activities will result in compliant emission parameters with the EU legislation and the national legislation. Industrial installations fulfil strict emission norms, and the state of atmosphere protection and impact of activities on the surrounding is controlled systematically by the state environment protection services. High level of environmental protection is confirmed by the fact that sectoral decisions and integrated permits have been acquired and maintained.

In the upcoming years the Company intends to continue and follow the adopted strategy focused on implementation of the idea of sustainable development on every stage of executed production process. On its own, ZGH Bolesław S.A. performs the processing, starting from the stage of extraction, through production, marketing and sales of the end products (zinc and zinc alloys, concentrates, hydrochloric acid) and ending on responsible waste management, to ensure maximum recovery of zinc in own installations (or installations functioning within ZGH "Bolesław" Group), which reduces its negative impact on the environment.

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Zinc recycling ability is a very important feature of zinc. Zinc may be recovered many times from secondary resources without loss of any chemical or physical properties, and it may be reintroduced to trading as a product with exactly the same parameters as the initial product. According to the valid data, ca. 20% of produced zinc comes from recycling of any types of zinciferous materials.

It should be noticed that in case of proper industrial policy, such cycle may be a closed cycle by means of a zinc return from recycling to the metallurgical branch or directly to the zinc consumers.

ZGH is an example of creation of so called closed cycle in the zinc industry, which contributes well to the EU policy, which prefers economy that uses the resources in a more sustainable way, that is by means of earth resources and raising the share of recyclable materials.

The environmental protection and maximum reduction of arduousness related to operations belong to the Company's priorities. ZGH Bolesław S.A. meets all applicable ecological standards thanks to the environmental policy applied.

- Other companies of the Capital Group

STP Elbud sp. z o.o. identified environmental aspects related to activities, products and services and defined aspects with significant impact on the environment. Aspects with significant environmental impact are taken into account, when environmental purposes are defined. At the moment the Company is not classified as high risk or raised risk company in respect to occurrence of an industrial accident, but only as a potential perpetrator of a significant accident.

Cynk-Mal S.A. treats environmental protection as one of the priorities of its business. The environmental policy in Cynk-Mal S.A. is fulfilled in compliance with local conditions, is aimed at constant improvement of environmental protection and is accepted by the Company's top management.

Attention should be paid to Anew Institute Sp. z o.o., a company belonging to Capital Group. Its activities correspond to the active ecological policy, whose priorities include replacement of traditional power sources with renewable energy.

The main area of Anew Institute's activities covers research of designing and development of wind turbines with vertical rotation axis.

3. Social and employee sphere

Although there are no uniform solutions related formally to the entire Capital Group, the effects of individual regulations cover fully all questions related to the social area of activities of the subsidiaries.

3.1 Use of public aid and public procurement

- Stalprodukt S.A.

In 2017, Stalprodukt S.A. did not use public aid and did not execute public orders.

- ZGH "Bolesław" Group

Public aid (according to its nominal value) granted to the companies from ZGH "Bolesław" Group amounted in 2017 to PLN 49.4 million. It consisted mainly of subsidies from the National Centre for Research and Development for research and development products. The above amount will be settled gradually in the upcoming years. Public contracts in 2017 in ZGH "Bolesław" Group were realised by Przedsiębiorstwo Robót Drogowych in Olkusz for the amount of PLN 8 million, which accounted for 62% revenues of that company.

- Other companies of Stalprodukt Capital Group

Public aid (according to its nominal value) granted to the companies from Stalprodukt Capital Group (according to its nominal value) amounted in 2016 to PLN 88,662, and in 2017 to PLN 59 218. It was mainly *de minimis* aid.

Moreover, one of the companies of the Capital Group received support in 2016 in form of refund of the nominal value of PLN 154 232, while in 2017 such support amounted to PLN 226 533.

3.2 Employment and salary levels

Employment structure by positions

		2016						2017					
	Type of position	Women	Men	Trial period agree-ment	Agreement concluded for definite period	Agreement concluded for indefinite duration	Civil law agreement	Women	Men	Trial period agree-ment	Agreement concluded for definite period	Agreement concluded for indefinite duration	Civil law agreement
Stalprodukt S.A.	Management	3	43	0	0	46	0	3	45	0	0	48	0
	Employees	70	184	5	31	218	1	75	182	4	43	210	1
	Workers	41	1302	28	316	999	4	39	1312	32	383	936	2
	Total	114	1529	33	347	1263	5	117	1539	36	426	1194	3
ZGH “Bolesław” Group	Management	17	101	0	1	116	1	17	106	0	2	121	4
	Employees	149	338	1	80	406	14	145	372	6	70	441	25
	Workers	133	2538	27	995	1642	48	146	2597	56	750	1937	67
	Total	299	2976	28	1076	2164	63	308	3074	62	822	2498	96
Other companies of STP Group	Management	17	33	0	3	47	0	19	33	0	1	51	0
	Employees	85	124	1	32	160	38	85	118	5	29	141	26
	Workers	14	747	18	246	460	82	16	756	24	255	508	66
	Total	116	904	19	281	667	120	120	907	29	285	700	92

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Employment structure by gender

		2016				2017			
	Employees as divided by gender	Trial period agreement	Agreement concluded for definite period	Agreement concluded for indefinite duration	Civil law agreement	Trial period agreement	Agreement concluded for definite period	Agreement concluded for indefinite duration	Civil law agreement
Stalprodukt S.A.	Women	4	22	88	1	3	34	80	1
	Men	29	326	1174	4	33	392	1114	2
	Total	33	348	1262	5	36	426	1194	3
ZGH “Bolesław” Group	Women	2	30	264	14	10	44	254	13
	Men	26	1046	1904	49	52	778	2244	83
	Total	28	1076	2167	63	62	822	2498	96
Other companies of STP Group	Women	1	22	89	15	3	26	85	10
	Men	18	258	617	93	20	276	604	83
	Total	19	280	706	108	23	302	689	93

Agreements concluded for indefinite duration are the most popular form of employment (both in Stalprodukt S.A. and in the entire Capital Group) . Their share in both cases amounted to 72% of all agreements in 2017.

In other companies of the Group, the share of this form of employment amounted to 61%.

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Employment structure by age

		2016				2017			
	Age groups	Women	Men	Blue collar worker	White collar worker	Women	Men	Blue collar worker	White collar worker
Stalprodukt SA	Up to 30 years	8	375	360	23	14	415	399	30
	31-50 years	92	1010	876	226	95	1011	871	235
	>51 years	14	144	107	51	8	113	81	40
ZGH "Bolesław" Group	Up to 30 years	29	494	482	41	30	494	476	48
	31-50 years	138	1623	1453	308	155	1680	1499	336
	>51 years	132	862	41	248	123	900	780	243
Other companies of STP Group	Up to 30 years	12	171	123	21	14	143	78	37
	31-50 years	75	422	306	103	77	425	305	96
	>51 years	25	305	221	64	25	331	257	62

The biggest number of workers employed in the company is 31-50 years old.

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New recruits by age and sex

		2016			2017		
	Age groups	Women	Men	Total	Women	Men	Total
Stalprodukt S.A .	Up to 30 years	3	101	104	6	74	80
	31-50 years	6	25	31	6	37	43
	>51 years	0	3	3	0	6	6
ZGH "Bolesław" Group	Up to 30 years	6	100	106	7	80	87
	31-50 years	1	77	78	17	85	102
	>51 years	2	23	25	6	28	34
Other companies of STP Group	Up to 30 years	4	88	92	5	75	80
	31-50 years	4	83	87	4	83	87
	>51 years	3	32	35	3	28	31

In years 2016-2017, 561 and 550 new employees were employed respectively altogether.

Dismissed employees according to age and gender

	Division by age	2016			2017		
		women	men	total	women	men	total
Stalprodukt S.A.	up to 30 years	0	11	11	0	34	34
	31- 50 years	0	8	8	2	20	22
	>51 years	7	36	43	7	50	57
ZGH Bolesław Group	up to 30 years	1	27	28	1	30	31
	31- 50 years	5	87	92	4	120	123
	>51 years	7	60	67	28	96	124
Other companies of the Capital Group STP	up to 30 years	2	49	51	3	46	49
	31- 50 years	6	38	44	2	49	51
	>51 years	4	33	37	3	35	38

In years 2016-2017, 181 and 530 persons were dismissed respectively in the Capital Group.

Employment of disabled persons

	2016		2017	
	Number of disabled persons	Share in employment [%]	Number of disabled persons	Share in employment [%]
Stalprodukt S.A.	4	0.24	4	0.24
ZGH Bolesław Group	31	0.95	33	0.98
Other companies of the Capital Group STP	44	4.31	45	4.38

Due to the nature of the activities performed by the Group and difficult conditions of work, 82 disabled persons were employed in the Group in 2017 (70 persons in 2016), and thus their share in the employment was quite low.

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Average salary (PLN)

	2016		2017	
	Average salary regardless of gender		Average salary regardless of gender	
Stalprodukt S.A.		5 305		5 035
ZGH Bolesław Group		5 574		6 046
Other companies of the Capital Group STP		4 449		4 424

The highest average salary in the Capital Group in 2017 was recorded in ZGH "Bolesław" Group and it amounted to PLN 6 046.

Amount of contributions paid to the State Fund for the Rehabilitation of the Disabled (PFRON) in PLN thousand)

	2016	2017
Stalprodukt S.A.	1 662	1 846
ZGH Bolesław Group	3 028	3 233
Other companies of the Capital Group STP	537	596

The total amount of contributions to the State Fund for the Rehabilitation of the Disabled (PFRON) in the entire Group amounted to PLN 5 675 thousand in 2017 and to PLN 5 227 thousand in 2016.

3.3 Relationship with the employee side and freedom of association. Social activities.

- Stalprodukt S.A.

Two trade unions are active in Stalprodukt S.A.: ZZ NSZZ Pracowników AMP S.A. in Stalprodukt S.A. and MOZ NSZZ „Solidarność”. In 2016, 367 employees were trade unions members, which accounted to 22.3% of all staff, while 2017 it was 407 persons, which accounted to 24.5%.

Social activities.

Social activities in Stalprodukt S.A. are performed in compliance with the Act on the Company's Social Benefit Fund and "The Regulation of the Company's Social Benefit Fund's Management" applicable in Stalprodukt S.A. and subsidiaries, which provides for various forms of support for employees and their families, namely:

- non-repayable economic, financial or in-kind support in form of aid in hardship (aid for persons who suffered individual fortuitous events, long-term (chronic) disease or death of a close family member);

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- support in form of repayable loans for refurbishment of a house, flat, construction of a house, exchange of a flat in a housing cooperative or council flats (a smaller flat exchanged for a bigger one),
- partial funding of holiday rest in form of summer camps, winter camps, package tours in holiday centres,
- partial funding of individual holidays,
- partial funding of cultural and educational actions (e.g. entrance tickets to interesting cultural and educational events, cinema, stage performances, concerts),
- partial funding of sports and recreational activities (hiking trips, excursions, sports events for children).

- ZGH "Bolesław" Group

Depending on a company, in ZGH "Bolesław" Group operates from 1 to 7 trade unions. Trade union membership ratio amounts to ca. 55%.

- Other companies of Stalprodukt Capital Group

In the other companies of Stalprodukt Capital Group there are four trade unions: ZZ NSZZ Pracowników AMP S.A. w Stalprodukt S.A., MOZ NSZZ „Solidarność”, Komisja Zakładowa NSZZ Solidarność 80, NSZZ Solidarność. In 2016 196 persons were members of trade unions, which accounted for 19.2% of the total staff of those companies, and in 2017 it was 170 person, which accounted for 16.5%.

3.4 Work safety and health

Due to differentiated specific features of the main entities constituting the Capital Group, and consequently various hazards and regulations resulting from the, approach to the area related with the work safety and health and applied solutions adjusted to the needs and requirements of individual companies.

It is the ambition of the Capital Group to ensure safe, health and friendly work environment to its employees. The companies of the Capital Group act in compliance with the best available practices to mitigate hazards for health and safety of the staff and raise awareness of and motivation for safe conduct.

- Stalprodukt S.A.

The Policy on Work Safety and Health is in force in Stalprodukt S.A.. According to its provisions, the Company's management priority is to ensure safety of work and health to employees, counterparties, subcontractors and representatives of other institutions, who are present in the plant. This policy is implemented through:

- constant attempts to improve the work safety and health,
- maintain high standard of conditions of work and compliance with applicable legal provisions,
- raising constantly employee qualifications,
- making employees aware with all aspects of work, in particular on a heed of its safe execution,

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- promoting attitudes and activities that raise employees' involvement in improvement of the conditions of work,
- supervising whether provisions and principles on work safety and health are followed by employees,
- constant improvement of activities in respect to work safety and health.

Employees acquire knowledge and skills concerning work safety and health in the course of the training system in force in the company. During on the job trainings they are made aware of the occupational risk on individual positions, taking into account arduous, harmful and hazardous factors and results of their measurements.

Periodical measurements are taken in Stalprodukt S.A. to check presence of dust and chemical agents on the positions of work. According to performs analyses, volumes of as multiplicity of admissible values are below 0.5 NDS, and often even below 0.1 NDS.

The number of employees working in noise exceeding NDN in 2016 was 291 person, while in 2017 – 324 persons. To reduce noise on positions of work, "The Programme of Limitation of Noise on the Positions of Work in Stalprodukt S.A." was introduced.

The Social Labour Inspection operated in Stalprodukt S.A. and despite other activities, their representatives participate in the meetings of the Commission on Work Safety and Health held at least once a quarter, and in reviews of the conditions of work . The Work Safety and Health Service performs ongoing controls of conditions of work and prepares periodical analysis of the state of work safety and health at least once year.

The accidents at work in 2016-2017 happened most frequently due to reasons on the side of people. One may mentioned here mainly inadequate conduct of an employee (in result of being surprised with an unexpected event, insufficient focus of attention on the work performed or negligence of hazards) and improper unauthorised activity of an employees (e.g. performance of work without removal of a hazard, entrance or driving into endangered area without acknowledgement that there is no hazard).

Accidents at work happens in Stalprodukt S.A. most often during operation of items. This group of activities includes also contact with sharp sheet ages. A relatively small number of accidents happen during operation of machines.

Specification	2017	2016
Total number of accidents at work	16	20
Number of serious accidents	0	0
Number of fatal accidents	0	0
Number of collective accidents	0	0
Number of persons who are unfit for work in result of an accident at work	1 039	1 044
Frequency rate of accidents	9.64	12.15
Rate of gravity of accidents	64.94	52.20

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- ZGH "Bolesław" Group

The activities related to work safety and health in ZGH "Bolesław" Group include among others:

- additional (weekly, monthly) trainings in work safety and health,
- technical checks of equipment, complying with the date of technical inspections and approvals,
- competitions in work safety and health,
- reporting potential accidents,
- use of numerous didactic aids during trainings (alcohol goggles, first aid body mannequins, training AED),
- agreeing with the staff on introduction of protection equipment by means of its earlier testing,
- monitoring the staff exposure on lead contents,
- equipping the sensitive parts of the plant with automatic external defibrillators (AED),
- aid for persons participating in dangerous accidents.

Social Labour Inspectors are appointed in companies, according to the provisions, on the level of the main organisational units and they cooperate closely with the work safety and health services, taking care for protection of employee rights defined in the provisions on work safety and health.

The most frequent reason of accidents are the following actives performed by a victim at the time of an accident: flame cutting, operating an oxygen lance, operating an unmechanised manual tool, getting of a cart, climbing a ladder, transporting items by means of a manually operated gantry, falling from heights, slips, cuts, bruises, burns, bone fractures.

Detachment of rocks from a mine sidewall is the most frequent reason of accidents in the mine.

Specification	2017	2016
Total number of accidents at work	26	32
Frequency accident rate (number of accidents/number of employed persons x 1000)	7.7	9.8
Number of fatal accidents suffered by workers working in the plant number of employees working outside the employer's registered office	1	0
Total number of days of employees' work disability in result of accidents	1 433	1 875
Accident gravity ratio (number of days of disability/ 1 accident)	55	59
Number of diagnosed accidental diseases.	1*	0
Number of workers working in the conditions of exceeded maximum allowed concentrations (NDS) or maximum allowed intensities (NDN)	600	595
Number of positions of work, in which the level of assessed occupational risk is unacceptably high (that is activities aimed at reduction of the risk level are necessary)	0	0

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Other companies of Stalprodukt Capital Group

Specification	2017	2016
Total number of accidents at work	23	17
Number of serious accidents	0	0
Number of fatal accidents	0	0
Number of collective accidents	0	0
Number of persons who are unfit for work in result of an accident at work	1 331	1 309
Frequency accident rate	22.40	16.67
Rate of gravity of accidents	57.87	77.00

3.5 Development and education

Taking care for contentment and satisfaction with the work performed, the Capital Group makes investments in professional development of employees and good atmosphere in the place of work. The companies of the Group create conditions that motivate their workers to gain knowledge, raise qualifications and use various forms of education. Constant development of knowledge and skills and raising of qualifications complies with the company's strategy. Acquired qualifications are used by employees on their positions or they will be used in the future. Facilitation of development of qualification ensures positive attitude to studying employees in the Company. Constant raising of professional qualifications has become a requirement. Constant education is needed in relation to technological and organisational changes and also in order to ensure properly high security, so the knowledge must be supplemented and updated on ongoing basis.

- Stalprodukt S.A.

Stalprodukt supports its employees in professional development in many ways. For instance, agreements are concluded with employees, who on their own initiative start postgraduate studies or participate in specialist courses complying with the scope of their professional responsibility, under which 50% of a price of a training or studies is paid by the company. At the same time, the Company undertakes to give a training leave and reimburse costs of a business trip if a training or studies are organised in another town.

Trainings in Stalprodukt are organised on the basis of an annual training plan. The training plan covers all organisational unit of the Company. Ca. 150 trainings is organised on average during a year, including ca. 30% in the Company's premises. The scope of trainings covers the following general subjects: management, HR management, quality and environmental management, sales and marketing, finances, professional, technical rights, etc.

Trainings are attended by: the Company's Management Board, directors, managers, specialists, foremen, engineering and technical staff, administrative and office staff and workers employed on manufacturing positions. They receive certificates to confirm that they participated in such trainings. Every employee completes a questionnaire assessing the way, in which a training was conducted, quality of training materials, social conditions during a training and selection of topics as compared to ongoing needs.

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- ZGH "Bolesław" Group

The biggest amount in the training budget of ZGH "Bolesław" Group is formed by costs of mandatory trainings and exam on work safety and health, mining rescuing, power industry and professional trainings and courses related to specific nature of work in the metallurgical industry, such as course of metallurgy and mining technician.

In ZGH "Bolesław" Group in 2017, 241 employees and workers raised their professional qualifications through participation in various forms of additional trainings.

- Other companies of Stalprodukt Capital Group

Like in case of the parent entity of the Capital Group, employee and workers trainings are organised in all the subsidiaries. Besides mandatory trainings, the companies make it possible for their employees to raise qualifications on ongoing basis.

The following table presents the number of trainings conducted in the Capital Group.

	2016	2017
	number of trained persons	number of trained persons
Stalprodukt S.A.	700	983
ZGH Boleslaw Group	3 492	4 457
Other companies of the Capital Group STP	172	227

Altogether 5 667 employees and workers were trained in Stalprodukt Group in 2017.

3.6 Diversity management

Stalprodukt does not have a formally adopted diversity policy. Nevertheless the Company endeavours to ensure that the labour environment is free from sexual harassment, all forms of bullying and mobbing of the staff.

The Company takes care to ensure that every employee and worker is treated fairly and with respect. Therefore, it does not accept discrimination based in race, skin colour, gender, age, confession, ethnic or national origin, disability or other factors.

The Company fulfils the principles of diversity in the recruitment process, principle of equal access to salaries, development, trainings and promotion. Similar principles are applied in the entire Capital Group.

Stalprodukt S.A. intends to work out and implement the Ethical Code in the entire Group and besides other aspects, it shall take account of issues related to diversity policy.

It should be emphasized that no cases of discrimination, mobbing or sexual harassment were observed in the Capital Group in 2017.

3.7 Human rights

Human rights have never been violated in the Capital Group.

In the agreements with main counterparties, the Company does not enter a clause obliging a subcontractor to respect human rights and does not reserve a right to perform an audit and terminate an agreement when such rights are violated.

3.8 Children labour and forced labour

None of the companies in the Capital Group employs children or uses forced or obligatory labour.

3.9 Local communities and social involvement

- Stalprodukt S.A.

The Management Board of Stalprodukt S.A. is fully aware of the fact that expenditures spent on support of local development is a long-term investment, which is beneficial to the both parties. Satisfaction of customers, staff and respect of the local community are equivalent objectives that are not less important than high profits.

Responsible business includes also a management strategy that enables mitigation of risk and maximization of the chance of the Company's long-term success. It is also the ability to run a company in the way increasing its positive input in development of the society and simultaneously minimizing the negative consequences of the business activity. Responsible business means also a manner, how the company treats the participants in the market processes: business customers and partners, staff and the entire local community. High rank of Stalprodukt in ranking lists is the effect of the company's social responsibility understood in such way.

Stalprodukt S.A. is one of the biggest companies operating in the Lesser Poland and a large employer who employed 1 659 employees and workers as at the end of 2017. Therefore, being aware of the responsibility imposed on them, the Company's Management Board treat the CSR, and mainly good relationships with local community (next to increase of goodwill) as a priority.

The Company has been active in this field for many years, having sponsored numerous local initiatives and undertakings, mainly from the area of the town and commune of Bochnia. Stalprodukt support financial local schools, parishes or an orphanage on regular basis. It also funds activities of various foundations and associations, organisations of sports,cultural events, entertainment or charity concerts. Moreover, the Company has also provided financial support to publication of various books (including for instance "Bochnia i obwód bocheński w latach 1863-1864. W 150 rocznicę Powstania Styczniowego" (Bochnia and Bochnia District in years 1863-1864. The 150th anniversary of the January Uprising) written by Janina Kęsek, and published by the Association of Bochnia Inhabitants and Bochnia Land Lovers.)

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The list of the most important expenditures of the Company in relation to such types of initiatives includes:

- donations to Caritas organisation operating in St. Nicolas Church in Bochnia allocated for hot meals for people in need, including the homeless;
- donations for Fundacja Kromka Chleba (construction of via spei hospice in Tarnów);
- financial support for the orphanage in Bochnia (gifts St. Nicholas Day);
- sponsoring of annual Bochnia Days;
- financial support for Fischer Museum in Bochnia (purchase of paintings);
- help for the Special School and Educational Centre in Bochnia.

The total amount of expenditure in the area of corporate social responsibility amounted to PLN 289 thousand in 2016 and PLN 247 thousand in 2017.

Stalprodukt's Management Board understood corporate social responsibility also as care for own staff, their families, timely payment of all contributions, including social and health insurance contributions, as well as timely payment of all taxes in the place, where the majority of the staff works and lives.

Attempts of Stalprodukt's management aimed at fulfilment of needs and expectations of the local community have been appreciated by the municipal authorities several times. In 2008 Stalprodukt was granted - as the first one - the title of "Bochniae Bene Meritus" (Meritorious for Bochnia). According to the intentions of the municipal authority, this title is to be granted to institutions and companies, whose activities have a positive impact on the local market and the economic condition of the town.

Furthermore, in 2016 (on the 763rd anniversary of Bochnia's charter), the President of Stalprodukt S.A.'s Management Board, Mr Piotr Janeczek received the statuette of Boleslaus Dux Fundator – Bolesław the Prince Founder. It is granted by Bochnia's mayor to persons, who show care for good name and existence of Bochnia in their activities and attitude to life (the award was granted for the second time from its establishment).

To sum up, Stalprodukt S.A.'s activities in the area of CSR are focused on the following objectives: maintenance of a positive image of the Company, obtaining social approval and support for activities undertaken by the Company and its management, strengthening the Company's image as a significant and robust employer on the local labour market, an important company for local authorities, a company that is friendly to the natural environment, fulfils the quality standards, environmental protection standards, takes care for staff security and complies with the principles of corporate governance.

- ZGH "Bolesław" Group

ZGH "Bolesław" Group has been fulfilled the Sustainable Development and Social Responsibility Strategy through rational management of zinc and lead ores, constant increase of use of recycled materials, modernisation of the technology in order to ensure environmental protection. Good communication with our stakeholders, in particular with the local community, strengthens the company's modern image and has impact on strengthening of the position of the leading zinc producer in Central Europe.

A document determining the above activities was worked out in 2017. The Sustainable Development and Social Responsibility Strategy distinguishes the following directions of activities:

- Responsible business

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- Social partnership
- Care for tradition

Being a socially aware entity, whose main task is not only to ensure the ongoing activities in compliance with the applicable legislation, the company takes care for positive impact on the raw material management, implementing the idea of closed circle economy.

Moreover, the Company performs conducts aimed at supporting of the local community, protection and improvement of the condition of the natural environment, support of development of local self-government and creation of civic society. Such additional activities will be performed by means of the Foundation of Bolesław Mining and Metallurgical Works, which has been established on the Company's initiative. The motto of our strategy is: "Business together with citizens and tradition"

Moreover, to promote and maintain the knowledge about history and traditions of zinc and lead mining in the region of Bukowno for the future generations, and ZGH "Bolesław" S.A. established an interactive exhibition in its Plant entitled "Vademecum of Knowledge about Zinc". In the Company's opinion, this history and knowledge should be preserved, even more that mining may disappear soon from Bukowno region due to exhaustion of the deposits. The Company is involved and actively participates in the life of local communities.

Huta Cynku "Miasteczko Śląskie" worked out the "Social Responsibility Strategy" for years 2017-2020, in which the care for safety and health of inhabitants of Miasteczko Śląskie is the priority.

In 2017 an agreement was signed among Huta Cynku "Miasteczko Śląskie" S.A., foundation called Fundacja na Rzecz Dzieci "Miasteczko Śląskie" and Eko-Prof-Med Medical Centre. The subject of the agreements covers accomplishment of a Scientific Project entitled "Assessment of Equalisation of Mineral Management in Case of Children Exposed to Lead in the Environment" in years 2017-2020, which is to be executed within a wider project entitled "Mechanisms of Toxic Influence of Lead on Human Body".

The aim of the project is to determine the basic parameters of complete blood count and macro-elements, such as iron, calcium, magnesium and vitamin D in kids, and supplementation of deficits of such elements, if they occur. It will help to under the question, how supplementation of deficits of macro-elements, micro-elements and vitamin D in case of kids will contribute to reduction of lead concentration in blood and to reduction of the consequences of its toxicity.

The cost of the planned project will amounts to ca. PLN 152 thousand. The tasks is financed fully from founts of Huta Cynku "Miasteczko Śląskie" Spółka Akcyjna.

Moreover, the following activities were undertaken in 2017 in Huta Cynku "Miasteczko Śląskie" S.A. in the scope of cooperation with the local community:

- Management of land held by the Company:
 - Free of charge exchange of ca. 30 hectares of forest held by the Company to Świerklaniec Forest District. In result, the Steelwork will take over an equivalent forest area on the eastern side, for which the management plan will be worked out in the future, taking into account the natural and economic aspects;

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- Preparation of the management concept of ca. 12 ha of wasteland located on to the east from the Steelworks (including acquisition of sand, rehabilitation and other activities);
- Preparation of land management for the area of 3 hectares within the scope of the Forest Planning for Steelworks Forest Areas;
- Management of the areas on the Company's western side through:
 - separation of ca. 30 hectares of forest to be provided to Świerklaniec forest district;
 - separation of ca. 15-20 hectares of land for a new business activity within the scope of economic activity zone that is to be established; such zone is intended to gather counterparties operating in Miasteczko Śląskie, which will enable creation of new places of work for the members of the local community and development of the Commune,
 - separation of a new east-western road of ca. 1 000 running metres, which will play a function of the future industrial ring road for Miasteczko Śląskie, to enable movement of trucks, which will result in reduction of truck movement through the centre of Miasteczko Śląskie and will guarantee better access to the economic activity zone.
- Cooperation with local entrepreneurs who pursue business on the areas adjacent to the Company (Feniks Tartak, Euromebel, PPHU Koral),
- Cooperation with Stalprodukt S.A. in respect to construction of a new generation wind farm on the Company's area, together with an access road to such farm,
- establishing a dialogue with the local community about reported problems related to the Company's impact on the live of Miasteczko Śląskie's inhabitants,
- Supporting initiatives of the local community and the inhabitants of the powiat of Tarnowskie Góry through financial or in-kind donations and subsidies for their activities.

Measurable contribution to the local community includes subsidies and sponsoring. In 2017 various forms of local involvement (health care, education, promotion of ports, local initiatives) were supported by the Companies of the Capital Group with an amount of more than PLN 790 thousand.

3.10 Counteracting corruption

Stalprodukt S.A.

Stalprodukt S.A. has solutions in form of internal procedures that significantly limit a possibility of corruptive activities. They include mainly the instruction on purchases and their settlements. The principles of the instruction refer amount others to:

- confirmation of orders by persons authorised to incur liabilities in compliance with the Company's Articles of Association;
- detailed check of compliance if the materials with a demand;
- appointing teams responsible for negotiations of terms and conditions of contracts and determination of objectives to be achieved (in case of purchase of materials for a higher amount than PLN 60 000);
- soliciting a few price offers for ordered materials;
- a multi-level approval of purchase invoices in the IT system (including by two Management Board Members or a Management Board Member and a proxy).

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It should be emphasized that in the Company's organisational structure, the purchase department reports directly to the President of the Management Board - the General Director, who participates in negotiations of key contracts.

The Company shall work out the Ethical Code that will be implemented in the entire Capital Group in 2018 in order to define the principles of operation in more detail, for instance in case of potential conflicts of interests, accepting and giving gifts or other benefits, etc.

ZGH "Bolesław" Group

In ZGH "Bolesław" Group, all commercial agreements have the confidentiality clause, so the information on commercial terms and counterparty's data is known only to the parties concerned.

The Companies conduct commercial policy on the basis of sales/purchase agreements, thanks to which the cooperation with customers takes place on clearly defined conditions which limits possibility of occurrence of unfair commercial practices.

Commercial terms are negotiated on the basis of current market benchmarks and ratios calculated on the basis of production balance sheets. During negotiations, the parties take also into account the volume of goods, its quality and terms and conditions of delivery, that have impact on the price and value of a contract. When selecting counterparties, the companies ensure transparency of activities, preventing from any attempts of illegal or unethical actions.

In the scope of long-term strategy aimed at enhancement of the market position and counteracting corruption, ZGH "Bolesław" implemented "The Purchasing Policy of ZGH Bolesław Capital Group", which regulates purchases of materials, goods and services. The aims of the Policy include:

- standardisation of purchasing procedures and agreements in the Capital Group,
- ensuring transparency of the purchasing decision making process,
- improvement of efficiency of investment and refurbishment expenses.
- reduction of expenditures on services and materials.
- rationalisation of use of the human resources.
- full monitoring of purchase expenses due to use of the electronic purchasing tool.
- regular extension of the market of suppliers of services and their diversification.
- establishing partner relationships with suppliers based on market conditions.
- establishing proper relationships with Internal Customers (organisational units)

In case of Hut Cynku "Miasteczko Śląskie", suppliers of technical materials and services are selected - to a significant extent - through written calls for tenders, with respective information published on the Steelwork's website and on the purchasing platform. Some subjects requiring specialised technical knowledge are passed to the Contest Commission.

3.11 Safety of products and consumers

To ensure safety of the customers, the companies in the Capital Group fulfil of recommendations and requirements resulting from the applicable legislation.

- Stalprodukt S.A.

Construction products are manufactured by Stalprodukt S.A. on the basis of harmonised technical specifications included in the following norms:

- PN-EN 1317-5+A2:2012 Road restraint systems - Part 5: Product requirements and evaluation of conformity for vehicle restraint systems,
- PN-EN 10219-1:2007 Cold formed welded structural hollow sections of non-alloy and fine grain steels - Part 1: Technical conditions of delivery,
- Steel open profiles made of construction steel of grade S235, S275, S355 and type JR, J0, J2 in compliance with norm PN-EN 10025-2:2007 and grade S420M in compliance with norm PN-EN 10025-4:2007, executed in compliance with norm PN-EN 10162:2005,
- PN-EN 10025-1:2007 Hot-rolled products made of construction steel - Part 1: General technical conditions of delivery.

Principles of introduction of construction products to trading or to the domestic market, principles of control of construction products introduced to trading or made available on the market and competence of authorities in respect to administrative tasks and obligations resulting from the Regulation of the European Parliament and the Council (EU) no 305/2011 of 9 March 2011 are defined in the Act on Construction Products of 16 April 2004 (uniform text in Journal of Laws of 2016, item 1570).

Other products manufactured in Stalprodukt S.A., in particular sheets, are produced on the basis of the following norms:

- PN-EN 10107:2014 Grain-oriented electric sheets and stripes delivered in fully processed condition,
 - CEI IEC 60404-8-7 Ed 4.0 2017 Magnetic materials - Part 8-7,
 - A 876-17:2017 Standard Specification for Flat-Rolled, Grain-Oriented, Silicon-Iron, Electrical Steel, Fully Processed Types.
- ZGH "Bolesław" Group

The main products of ZGH "Bolesław" Group, that is zinc and lead, are strictly and clearly described in norms applicable to all suppliers, as far as their quality is concerned. The basic documents binding to all zinc suppliers in Europe is norm PN-EN 1179, and in case of lead suppliers - norm PN-EN 12659.

Zinc and lead are important mass goods, in case of which trading has long traditions and is quite well organised. There are trading principles concerning zinc and lead concentrated, that are respected worldwide. There are global stock exchanges of these metals, chains of stock exchange warehouses, ports and infrastructural items enabling trading in zinc and lead both in processed and raw form.

Because the products of the Group fulfil the requirements of EN norms and are registered on London Metal Stock Exchange, they may be sold in any place of the world.

- Other companies of Stalprodukt Capital Group

Regardless of the product range, all products manufactured by the subsidiaries are governed by provisions and legal requirements resulting from respective provisions on given products.

In 2017 none of the companies of the Capital Group violated the procedures on safety of the product and services.

No administrative proceedings were conducted against the companies by the Office for Competition and Consumer Protection.

3.12 Marketing communication

Communication is the sensitive element of accomplishment of the objectives of social responsibility. One of the strategic objectives of social corporate responsibility is construction of transparent, long-term and permanent relations with all interested parties in the process of Stalprodukt's operations.

Establishment of permanent relationship is the result of satisfaction of one side and the effect of understanding of needs and responding to the identified needs.

For many years the Company conducts an annual survey of "Satisfaction, Loyalty and Confidence of the customers of Stalprodukt's Group". It takes place by means of a questionnaire sent to customers. The questionnaire consists of two parts. The first part is aimed at determination of the level of satisfaction, loyalty and confidence, and consequently - calculation of the synthetic index, that should reach a specified threshold set as a qualitative objective for every year. If the synthetic index is lower than the assumed threshold, corrective activities are required.

In 2017 the synthetic index amounted to 89.5 points and was on the same level as in the case of the survey for the previous year. It is a high level.

Another element of the questionnaire is the list of attributes that are assessed in respect to their validity and fulfilment by Stalprodukt and by the competitors. These attributes are related to the price, quality of products, quality and timeliness of services, fast response to inquiries and complaints, technical support, a wide range of products, etc. According to the respondents, the most important attributes include: price and sure date to fulfilment of an order. These areas require constant improvement from the Company.

Stalprodukt's strengths include professional service and relationships with the sales force, which are often highly assessed.

IN 2017 in the entire Capital Group there were no cases of non-conformance with the regulations and marketing communication codes, including code of advertising, promotion and sponsoring.

No proceedings in the Office for Competition and Consumer Protection were pending in this respect.

3.13 Privacy protection

Personal data protection policies and procedures are applicable in the companies of the Capital Group.

In 2017 there were no events related to unauthorised release of personal data or their unauthorised use by employees of customers.

3.14 Product marking

Correct marking of products is one of the essential issues in relationships with customers. All products manufactured by the companies of the Capital Group are properly marked (a tag or a label with respective scope of information, depending on a product and requirements agreed on with a customer). Moreover, every product is marked in compliance with internal regulations and procedures in force in every company.

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Łukasz Mentel	Józef Ryszka
Management Board Member – Financial Director	Management Board Member – Marketing Director

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Piotr Janeczek
President of the Management Board – General Director