

**CONSOLIDATED REPORT ON PAYMENTS
MADE TO PUBLIC ADMINISTRATION
BY THE STALPRODUKT S.A. CAPITAL GROUP
FOR THE FINANCIAL YEAR 2018**

CONSOLIDATED REPORT ON PAYMENTS MADE TO PUBLIC ADMINISTRATION

1. Basis for preparation and scope of the Report on payments made to public administration

Legal requirements

The consolidated Report on payments made to public administration (the "Report") was prepared in accordance with the requirements of the amended Act of 29 September 1994 on accounting (i.e. the Polish Journal of Laws of 2018, item 395) as a result of the implementation in the Polish law of the Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated accounts and related reports of certain types of entities, amending the Directive 2006/34/EC of the European Parliament and of the Council and repealing the Council Directives 78/660/EEC and 83/349/EEC.

The Report is also consistent with § 61 sec. 4 of the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the law of a non-member state (the Polish Journal of Laws of 2018 item 757).

Reporting unit

According to the provisions of the above Act and Regulation, this consolidated report on payments made to public administration was prepared by the parent company in the Capital Group, i.e. Stalprodukt S.A. and includes payments to public administration made by a subsidiary (ZGH "Bolesław" S.A.) and its subsidiaries. The Report does not include payments to public administration made by joint ventures valued in the consolidated financial statements of ZGH "Bolesław" S.A. using the equity method.

Activities covered by the reporting obligation

Payments made by the entities of the Stalprodukt S.A. Capital Group to public administration, as shown in this Report, relate to mining operations involving the exploration, search, discovery, exploitation and extraction of metals, rocks and sand. This activity is carried out by reporting companies within the Zinc Segment, which – in the scope of mining operations – includes the following entities: ZGH "Bolesław" S.A., Boltech Sp. z o.o. and Gradir Montenegro d.o.o. (based in Plevlja, Montenegro).

If a given payment concerns both the activity covered by the reporting obligation and other activities (e.g. steel works), the amount disclosed in the Report is not divided but disclosed in its entirety.

Public administration

Public administration means government or self-government administration bodies and entities supervised or controlled by these bodies, and in the case of other countries of the European Economic Area or countries outside the European Economic Area – state administration, regional or local authorities and entities supervised or controlled by these bodies.

Project

A Project is understood as operating activity carried out on the basis of a contract, in particular a lease, a rental, a license or a concession, constituting the basis for payment obligations to public administrations of individual countries. If several such agreements are significantly related to each other, the operational activities carried out on their basis are considered as one project.

Types of payments

Amounts paid to public administration in cash or in kind (transformed into monetary value using the most appropriate valuation methods based on historical cost or market value) from activities covered by the reporting obligation have been assigned to the following titles.

- a) Taxes
The Report shows taxes collected on the income, production or profits of the companies of the ZGH BOLESŁAW S.A. Capital Group (mainly tax on extraction of certain minerals), excluding consumption tax, such as value added tax, personal income tax or sales tax.
- b) Dividends
Dividends subject to disclosure in the Report are payments other than dividends paid to public administration authorities for holding ordinary shares of ZGH BOLESŁAW S.A., unless they are dividends paid in place of receivables from production or royalties. In 2018, there were no payments for public administration in this respect.
- c) Concession fees and bonuses for discovery and production
This category of payments to the public administration includes remuneration for the establishment of mining usufruct and mining fees for the extracted mineral.
- d) Other fees and benefits for granting the concession
The fees disclosed in this Report constitute fees for:
 - perpetual usufruct of land,
 - exclusion of agricultural land for non-agricultural purposes,
 - emissions of substances into the air,
 - discharge of mine and technological waters,
 - discharging sewage and rainwater,
 - technical supervision and machine testing.
- e) Payments for infrastructure improvements
Payments for infrastructure improvements disclosed in the Report cover the construction of roads and bridges not intended for use in mining operations. In 2018, there were no such payments.
- f) Receivables from production and royalties - did not occur in 2018.

Severity level

In the Report disclosed are the amounts paid to public administration if a single payment or the total of related payments made by the units of the ZGH "Bolesław" S.A. Capital Group in 2018 was at least the equivalent of PLN 424 700.

Applied exchange rates

In this Report, the average exchange rate announced by the National Bank of Poland on 31 December 2018 was used to convert the financial data of foreign entities.

2. Payments to public administration made in 2018 (thousand x PLN)

| Payments made to public administration | Taxes | Concession fees and bonuses for discovery and production | Other fees and benefits for granting the concession | Payments for infrastructure improvements | Total payments to public administration |
|--|---------------|--|---|--|---|
| Poland | 93 813 | 11 255 | 4 251 | 0 | 109 319 |
| Montenegro | 5 260 | 1 913 | 5 | 0 | 7 178 |
| Total | 99 073 | 13 167 | 4 257 | 0 | 116 497 |

Poland

Zakłady Górniczo-Hutnicze "Bolesław" S.A.

| Payments as broken down by levels of public administration | Taxes | Concession fees and bonuses for discovery and production | Other fees and benefits for granting the concession | Payments for infrastructure improvements | Total payments to public administration |
|---|---------------|--|---|--|---|
| Government administration bodies: | 77 909 | 9 635 | 2 325 | 0 | 89 869 |
| central | 0 | 9 635 | 0 | 0 | 9 635 |
| Ministry of Environment | 0 | 8 636 | 0 | 0 | 8 636 |
| The National Fund for Environmental Protection and Water Management | 0 | 998 | 0 | 0 | 998 |
| local | 77 909 | 0 | 2 325 | 0 | 80 234 |
| Regional Directorate of the State Forests | 0 | 0 | 331 | 0 | 831 |
| Tax offices (the Małopolska Customs and Tax Office) | 37 791 | 0 | 0 | 0 | 37 791 |
| Customs offices | 40 118 | 0 | 0 | 0 | 40 118 |
| Forest divisions | | 0 | 1 494 | 0 | 1 494 |
| Bodies of local authority administration: | 12 255 | 1 498 | 1 123 | 0 | 14 875 |
| The Marshal's Office | 894 | 0 | 0 | 0 | 894 |
| Polish Waters National Water Management Authority | 1 167 | 0 | 0 | 0 | 1 167 |
| County offices | 0 | 0 | 1 123 | 0 | 1 123 |
| Towns and borough | 10 193 | 1 498 | 0 | 0 | 11 690 |
| Total | 90 163 | 11 132 | 3 448 | 0 | 104 744 |

Boltech Sp. z o.o.

| Payments as broken down by levels of public administration | Taxes | Concession fees and bonuses for discovery and production | Other fees and benefits for granting the concession | Payments for infrastructure improvements | Total payments to public administration |
|---|--------------|--|---|--|---|
| Government administration bodies: | 3 650 | 49 | 0 | 0 | 3 699 |
| central | 0 | 49 | 0 | 0 | 49 |
| Ministry of Environment | 0 | 0 | 0 | 0 | 0 |
| The National Fund for Environmental Protection and Water Management | 0 | 49 | 0 | 0 | 49 |
| local | 3 650 | 0 | 0 | 0 | 3 650 |
| Regional Directorate of the State Forests | 0 | 0 | 0 | 0 | 0 |

| | | | | | |
|---|--------------|------------|------------|----------|--------------|
| Tax offices (the Małopolska Customs and Tax Office) | 3 647 | 0 | 0 | 0 | 3 647 |
| Customs offices | 3 | 0 | 0 | 0 | 3 |
| Forest divisions | | | | | 0 |
| Bodies of local authority administration: | 0 | 73 | 803 | 0 | 877 |
| The Marshal's Office | 0 | 0 | 115 | 0 | 115 |
| County offices | 0 | 0 | 66 | 0 | 66 |
| Towns and borough | 0 | 73 | 621 | 0 | 695 |
| Total | 3 650 | 122 | 803 | 0 | 4 575 |

Montenegro

Gradir Montenegro D. O. O.

| Payments as broken down by levels of public administration | Taxes | Concession fees and bonuses for discovery and production | Other fees and benefits for granting the concession | Payments for infrastructure improvements | Total payments to public administration |
|---|--------------|--|---|--|---|
| Government administration bodies: | 5 117 | 1 913 | 5 | 0 | 7 034 |
| central | 0 | 1 913 | 5 | 0 | 1 918 |
| Ministry of Environment | 0 | 1 913 | 5 | 0 | 1 918 |
| The National Fund for Environmental Protection and Water Management | 0 | 0 | 0 | 0 | 0 |
| local | 5 117 | 0 | 0 | 0 | 5 117 |
| Regional Directorate of the State Forests | 0 | 0 | 0 | 0 | 0 |
| Tax offices | 5 117 | 0 | 0 | 0 | 5 117 |
| Customs offices | 0 | 0 | 0 | 0 | 0 |
| Forest divisions | 0 | 0 | 0 | 0 | 0 |
| Bodies of local authority administration: | 143 | 0 | 0 | 0 | 143 |
| The Marshal's Office | 0 | 0 | 0 | 0 | 0 |
| County offices | 0 | 0 | 0 | 0 | 0 |
| Towns and borough | 143 | 0 | 0 | 0 | 143 |
| Total | 5 260 | 1 913 | 5 | 0 | 7 178 |

3. Payments to public administration made in 2017 (thousand x PLN)

| Payments made to public administration | Taxes | Concession fees and bonuses for discovery and production | Other fees and benefits for granting the concession | Payments for infrastructure improvements | Total payments to public administration |
|--|---------------|--|---|--|---|
| Poland | 80 791 | 11 192 | 5 566 | 0 | 97 549 |
| Montenegro | 1 521 | 2 426 | 0 | 0 | 3 947 |
| Total | 82 312 | 13 617 | 5 566 | 0 | 101 495 |

Poland

Zakłady Górniczo-Hutnicze "Bolesław" S.A.

| Payments as broken down by levels of public administration | Taxes | Concession fees and bonuses for discovery and production | Other fees and benefits for granting the concession | Payments for infrastructure improvements | Total payments to public administration |
|---|---------------|--|---|--|---|
| Government administration bodies: | 66 952 | 9 460 | 1 963 | 0 | 78 374 |
| central | 0 | 9 460 | 0 | 0 | 9 460 |
| Ministry of Environment | 0 | 8 318 | 0 | 0 | 8 318 |
| The National Fund for Environmental Protection and Water Management | 0 | 1 142 | 0 | 0 | 1 142 |
| local | 66 952 | 0 | 1 963 | 0 | 68 914 |
| Regional Directorate of the State Forests | 0 | 0 | 710 | 0 | 710 |
| Tax offices (the Małopolska Customs and Tax Office) | 28 034 | 0 | 0 | 0 | 28 034 |
| Customs offices | 38 917 | 0 | 0 | 0 | 38 917 |
| Forest divisions | 0 | 0 | 1 252 | 0 | 1 252 |
| Bodies of local authority administration: | 10 131 | 1 713 | 3 474 | 0 | 15 318 |
| The Marshal's Office | 761 | 0 | 0 | 0 | 761 |
| County offices | 0 | 0 | 3 474 | 0 | 3 474 |
| Towns and borough | 9 370 | 1 713 | 0 | 0 | 11 082 |
| Total | 77 082 | 11 173 | 5 437 | 0 | 93 692 |

Boltech Sp. z o.o.

| Payments as broken down by levels of public administration | Taxes | Concession fees and bonuses for discovery and production | Other fees and benefits for granting the concession | Payments for infrastructure improvements | Total payments to public administration |
|---|--------------|--|---|--|---|
| Government administration bodies: | 3 709 | 8 | 0 | 0 | 3 717 |
| central | 0 | 8 | 0 | 0 | 8 |
| Ministry of Environment | 0 | 0 | 0 | 0 | 0 |
| The National Fund for Environmental Protection and Water Management | 0 | 8 | 0 | 0 | 8 |
| local | 3 709 | 0 | 0 | 0 | 3 709 |
| Regional Directorate of the State Forests | 0 | 0 | 0 | 0 | 0 |
| Tax offices (the Małopolska Customs and Tax Office) | 3 709 | 0 | 0 | 0 | 3 709 |
| Customs offices | 0 | 0 | 0 | 0 | 0 |
| Forest divisions | 0 | 0 | 0 | 0 | 0 |
| Bodies of local authority administration: | 0 | 11 | 129 | 0 | 140 |
| The Marshal's Office | 0 | 0 | 0 | 0 | 0 |
| County offices | 0 | 0 | 0 | 0 | 0 |
| Towns and borough | 0 | 11 | 129 | 0 | 140 |
| Total | 3 709 | 19 | 129 | 0 | 3 857 |

Montenegro

Gradir Montenegro D. O. O.

| Payments as broken down by levels of public administration | Taxes | Concession fees and bonuses for discovery and production | Other fees and benefits for granting the concession | Payments for infrastructure improvements | Total payments to public administration |
|---|--------------|--|---|--|---|
| Government administration bodies: | 1 362 | 2 426 | 0 | 0 | 3 788 |
| central | 0 | 2 426 | 0 | 0 | 2 426 |
| Ministry of Environment | 0 | 2 426 | 0 | 0 | 2 426 |
| The National Fund for Environmental Protection and Water Management | 0 | 0 | 0 | 0 | 0 |
| local | 1 362 | 0 | 0 | 0 | 1 362 |
| Regional Directorate of the State Forests | 0 | 0 | 0 | 0 | 0 |
| Tax offices | 1 362 | 0 | 0 | 0 | 1 362 |
| Customs offices | 0 | 0 | 0 | 0 | 0 |
| Forest divisions | 0 | 0 | 0 | 0 | 0 |
| Bodies of local authority administration: | 159 | 0 | 0 | 0 | 159 |
| The Marshal's Office | 0 | 0 | 0 | 0 | 0 |
| County offices | 0 | 0 | 0 | 0 | 0 |
| Towns and borough | 159 | 0 | 0 | 0 | 159 |
| Total | 1 521 | 2 426 | 0 | 0 | 3 947 |

Bochnia, April 30, 2019

Signatures of members of the Management Board of the Parent Company

.....
Józef Ryszka
Member of the Board
Marketing Director

.....
Łukasz Mentel
Member of the Board
Chief Financial Officer

.....
Piotr Janeczek
Chief Executive Officer
General Director