STALPRODUKT S.A.

Abridged Interim Consolidated Financial Report for the 1st Quarter of 2018. Additional Information

Bochnia, May 2018

I. Introductory Information

1. The basic data

Apart from the parent company, the Stalprodukt S.A. Capital Group embraces 10 associated entities accounting for subsidiary companies, in which Stalprodukt holds 100% of shares, except for Zakłady Górniczo-Hutnicze "Bolesław", where it holds 94.59 % of shares.

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

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

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

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

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

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

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

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

1. Compared to the 1st quarter of 2017, the capital of ZGH Bolesław S.A. increased to the level of 94.59 % towards the end of the 1st quarter of 2018 in relation to 94.56 % achieved in the comparable period. The increase took place as a part of the buy-out program of the ZGH „Bolesław" S.A.'s employee shares.

2. On 3 April 2017 a merger of Bolesław-Recycling Sp. z o.o. and ZGH „Bolesław" S.A. took place, acc. to the Merger Plan, i.e. by transferring the entire assets of the acquired company (Bolesław-Recycling Sp. z o.o.) to the acquiring company (ZGH „Bolesław" S.A.) without issuing new shares and increasing the share capital of the acquiring company. Before the merger, ZGH „Bolesław" held 100%-share in the acquired company.
3. On 28 February 2018 a transaction was concluded for the purchase of 100% shares of the GO Steel Frydek Mistek a.s. company based in the Czech Republic. The 1st of March 2018 was fixed as the take-over date. From that moment onwards the Company will be subject to full consolidation.

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

The presented Abridged Consolidated Financial Report was prepared in respect of the period from 1 January 2018 to 31 March 2018 with the use of the full consolidation method, considering all the Group's subsidiaries. The comparable data cover the period from 1 January 2017 to 31 March 2017 referring to the profit and loss account and the cash flow statement, the balance sheet values reflect the status as of 31 December 2017.

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

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

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

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

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

II. Accounting Principles (Policy)

1. In the quarterly abridged consolidated financial report the accounting principles (policy) used, including the assets and liabilities, income and costs valuation methods as well as calculation methods adopted, were identical with the ones presented in detail in the Consolidated Report 2017.

   In the reporting period neither any essential changes were introduced into the accounting principles (policy), nor any adjustments were made in respect of the fundamental errors and adopted estimated values which would have significantly affected the Group's property and liquidity standing and its financial result.

2. The changes introduced into the standards and interpretations issued by the International Financial Reporting Standards Council and International Financial Reporting Standards Interpretation Committee, applicable since 1 January 2017 or later, either do not apply to the Stalprodukt Group, or do not significantly affect the heretofore applied accounting policy and assessment of its asset position and financial standing. The numerous changes introduced into the existing accounting standards and interpretation changes, referring to the existing standards, have already been adopted by the International Financial Reporting Standards Council, but not approved by the EU yet and so the same shall take effect at later dates.

   The Management Board does not expect the introduction of the above standards and interpretations to significantly affect the accounting principles (policy) applied by the Group, its financial standing and financial result, but the same may still require further additional or amended disclosures to be included in the report. The above mentioned changes were precisely described in the Additional and Explanatory Information sheet appended to the published Consolidated Financial Report for 2017.

3. The information contained in the Consolidated Financial Report was compiled in compliance with the principles pertaining to the assets and liabilities valuation and net financial result measurement, defined as of the balance sheet day, in compliance with IFRS adopted by the European Union and interpretations related thereto, announced in the form of the European Commission Regulations, with the principle of materiality observed.
4. In accordance with the above principles also the Issuer's separate report was prepared, incorporated into the present Report with a reservation concerning the change in the accounting policy related to the valuation and inventory costs calculation methods. Since 1 January 2018, the Company has used the weighted average cost method to replace the previously used FIFO „first in, first out" method. This change was caused by the launching of the IFS 9 IT system, full application of the production module along with the introduction of the full production orders' recording system. In the Issuer's assessment, the altered reporting principles will yield more reliable and more useful information about the transaction's impact on the financial standing and financial results through the more effective management of the supply chain and production process. For comparative purposes the present report features retrospective presentation of financial reports' results for the 1st quarter of 2017, using the new method of inventory costs calculation.

III. Appraised Values

- a deferred income tax reserve allowance was increased by the amount of PLN 2 187 thousand in connection with the occurrence of transitory positive differences,
- a provision for bad debt was formed amounting to PLN 269 thousand, while the one amounting to PLN 116 thousand was released,
- a provision for employee benefits was formed amounting to PLN 8 028 thousand, and the provision for employee benefits amounting to PLN 1 220 thousand was released,
- a provision for repairs was formed in the amount of PLN 7 888 thousand,
- a provision, amounting to PLN 2 400 thousand,
- a provision for electrical energy origin certificates and CO_2 emissions allowances was formed in the amount of PLN 3 703 thousand, and the one amounting to PLN 7 210 thousand was released,
- a provision was formed for land reclamation amounting to PLN 55 thousand, while the one amounting to PLN 58 thousand was released ,
- provisions were formed in respect of the acquisition of the GO Steel Frydek Mistek company. For the "Earn- Out" component: PLN 14 595 thousand and PLN 18 765

thousand in respect of the obligations for the purchase of hot-rolled steel sheets – HRC contract.

As a result of the merger and inclusion of the GO Steel Frydek Mistek a.s. company into consolidation, provisions were increased by the amount of PLN 9 429 thousand in respect of the deferred income tax and by PLN 4 030 thousand in respect of other provisions.

IV. Settlement of the GO Steel Frydek Mistek a.s. Purchase Price

The settlement of the purchase price was based on the IFRS 3 ”Business Combinations”

Identification of the Business Combination

Acquirer: Stalprodukt S.A. based at: ul. Wygoda 69; 32-700 Bochnia,

Acquiree: Go Steel Frydek Mistek a.s. based at: Míru 3777, Frýdek, 738 01 Frýdek-Místek, Czech Republic.

Acquisition (take-over) date: On 15 December 2017, a Sales Agreement was signed in Prague between ArcelorMittal S.A. and Stalprodukt Spółka Akcyjna. The object of the Agreement was the purchase of 100% of shares of the GO Steel Frydek Mistek a.s. company comprising 20 shares of the KCZ 100 000 nominal value and 20 shares of the 60 700 000 KCZ nominal value.

It was a conditional Agreement. The official consents to be obtained from the anti-monopoly agencies in Turkey, Austria and Germany were the essential preconditions determining the performance of the Agreement. On 15 February 2018 the last required consent was obtained. In accordance with the Agreement, in the event the preconditions are fulfilled before the 20th day of a given month, the last day of this month shall be recognized as the conclusion day. Therefore, the conclusion date for the transaction (consideration payment and transfer of shares) fell on 28 February 2018. The acquisition (take-over) date was fixed on 1 March 2018, as from this day onwards the flow of economic benefits was changed.

Purchase Price

It was calculated in accordance with § 4.1 of the Agreement as of 15 December 2018 as:

1. Initial purchase price: EUR 32 000 000
2. Real cash minus real debt: 44 608 000 KCZ
3. Difference between the real turnover capital and the amount of KCZ 355 000 000: KCZ (- 21 334 000)
4. Earn-out component*: EUR 3 500 000
5. Concluded HRC contract**: EUR 4 500 000.
6.

The amount concerned was increased by the transaction processing costs which were, primarily, related to the obtaining of the consents from the anti-monopoly agencies.

In such a way the total purchase price was fixed as amounting to: PLN **170.9 million.**

* The 'Earn-out' price component stands for the seller's right to the 50% share in the result, above the value assumed in the valuation prepared for the transaction purposes, of the EBIDTA level measured during the consecutive 4 years with the reservation that the total payment in respect of the above, may not exceed EUR 3 500 000. This amount stands for a contingent liability. A provision was formed for the entire amount.

** The Contract is concerned with the Issuer's obligation to purchase additional 50 thousand tons of hot-rolled steel sheets per year for the period of 3 years under normal market conditions not divergent from the standard terms of purchase. This value was estimated by the Seller. A provision was formed for the entire amount.

Recognition and valuation of identifiable assets acquired, liabilities assumed and non-controlling interests in the acquiree

The amount of the identifiable assets acquired and liabilities assumed was determined on the basis of the Financial Report as of 28 February 2018, prepared by the Acquiree.

ASSETS	28 Feb 2018 KCZ thou.	28 Feb 2018 PLN thou.
Tangible fixed assets	843 381	138 363
Inventory	530 387	87 014
Short-term receivables	244 473	40 107
Short-term investments	44 608	7 318
including: - Cash	*44 608*	7 318
Prepayments	1 858	305
TOTAL	**1 664 707**	273 107
LIABILITIES	**28 Feb 2018 KCZ thou.**	**28 feb 2018 PLN thou.**
Provisions for liabilities	25 243	4 141
Short-term liabilities	476 880	78 235
TOTAL	**502 123**	82 377
Net Assets Amount	**1 162 584**	**190 730**

Non-controlling interests: none.

Net assets value: KCZ 1 162 584 000 i.e. **PLN 190.7 million.**

Recognition and valuation of the company's goodwill or a gain from a bargain purchase

The company's goodwill was determined in accordance with §32 of IFRS 3. This value is measured as the surplus above the aggregate:

a) Consideration transferred,
b) Amount of non-controlling interests,
c) Fair value of previous equity interests acquired and held in the acquire,

above

d) Net amounts of identifiable assets acquired and liabilities assumed.

The company's goodwill is determined according to the formula: Goodwill = a+b+c-d

Consideration transferred: is based on the fair value calculated as the aggregate, determined on the acquisition day, of the fair value assets transferred by the Acquirer and liabilities incurred by the Acquirer in respect of the former owners.

The amount determined on the basis of the above formula assumed a negative value. The negative result stands for a gain from a bargain purchase amounting to PLN 19.7 million.

Disclosures

IFRS 3 requires that the Acquirer should disclose the information enabling the users to assess the character and financial consequences of the combination of businesses made:

- in the on-going reporting period, or
- following the completion of the reporting period, but before the financial report is approved for publication.

The gain from a bargain purchase is a financial income for the given period to be recognized in the consolidated report.

The adjustment of the purchase price is possible and stands in accordance with IFRS 3 §45 and §46. The verification of the price settlement is admitted by the standard. The valuation period starts on the acquisition day (take-over day) and ends at the moment when the Acquirer has obtained all the sought for information concerning the facts and circumstances present as of the acquisition day and ascertains that obtaining any additional information is impossible. This period may not exceed one year from the acquisition day.

IV. Business Segments

The segment-based reporting was based on IFRS 8 "Operating Segments". The rules governing the Stalprodukt Capital Group's division into operating segments and accounting principles applied in this kind of reporting were described in detail in the last published Consolidated Financial Report for 2017

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

Itemization	Operating Segments				Total
	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	
Segment Revenues	167 357	181 577	519 352	63 434	931 720
Segment Costs	149 614	177 524	400 511	55 914	783 563
Segment Result	**17 743**	**4 053**	**118 841**	**7 520**	**148 157**
Other Operating and Financial Revenues Non-Attributable to the Segment					8 950
Other General, Operating and Financial Costs Non-Attributable to the Segment					49 390
Gross Profit					**107 717**
Income Tax					22 603
Net Profit					19 748
Segment Assets	1 010 476	813 756	2 135 855	292 122	4 252 209
Assets Non-Attributable to the Segment					25 489
Total Assets					4 277 698
Liabilities					1 586 284
Contingent Liabilities					296 115
Total Liabilities					1 882 399
Investment Outlays	1742	346	38 221	3110	43 419
Depreciation	7 269	4 278	19 250	3 768	34 565

Information on Operating Segments for 1st quarter of 2017 (PLN thousand)

Itemization	Operating Segments				Total
	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	
Segment Revenues	134 177	176 621	495 534	48 717	855 049
Segment Costs	127 350	158 636	372 297	46 827	705 110
Segment Result	**6 827**	**17 985**	**123 237**	**1 890**	**149 939**
Other Operating and Financial Revenues Non-Attributable to the Segment					12 931
Other General, Operating and Financial Costs Non-Attributable to the Segment					51 808
Gross Profit					**111 062**
Income Tax					22 031
Net Profit					**89 031**

Segment Assets	779 330	807 603	1 955 886	262 798	3 805 617
Assets Non-Attributable to the Segment					33 130
Total Assets					3 838 747
Liabilities	217 939	320 379	896 784	81 410	1 516 512
Contingent Liabilities					296 115
Total Liabilities					1 812 627
Investment Outlays	657	2402	19 231	7028	29 318
Depreciation	6 808	4 282	19 181	3 169	33 440

V. Ocena uzyskanych wyników i sytuacja finansowa

In the 1st quarter of 2018, compared to the analogical period of 2017, the Stalprodukt S.A. Capital Group recorded an increase of sales by PLN 76 671 thousand, i.e. by 9%. At the profit-on-sales level PLN 111 108. was achieved, which accounts for a 5 %. decrease. Whereas at the operating profit level a decrease by PLN 12 002 thousand, i.e. 10 % was recorded. In the 1st quarter of 2018, the net profit amounted to PLN 104 862 thousand compared to PLN 89 031 thousand generated in the 1st quarter of 2017. It should be underlined that in the net profit position also the gain from a bargain purchase was recognized referring to the acquisition of the Go Steel Frydek Mistek a.s. company amounting to PLN 19 748 thousand. All the segments include in the report recorded increased sales levels.

The Electrical Sheets Segment recorded the increase of transformer sheet sales volumes by 9,6 % compared to the 1st quarter of 2017. The sales volume increase was largely caused by consolidating the activities of the GO Steel Frydek Mistek company in the Segment, with a reservation that the presented data are only related to the month of March. At the same time, compared to the 1st quarter of 2017, the Segment also recorded an increase of prices. The above stands in accordance with the Issuer’s previous assumptions on the improvement of the market conditions and improved effectiveness of the Segment in the first half of 2018. It should be underlined that the average prices achieved in the Segment approximated the level achieved in the 2nd half of 2017. In the Issuer’s assessment, this trend will be maintained, however, at the same time, the Issuer directs attention to the considerable price pressure from the Segment’s customers.

The Profiles Segment recorded its sales volumes as lower by 1.4% compared to the 1st quarter of 2017. At the same time, the sales achieved in the Segment were higher by PLN 4 956 thousand, i.e. by 2.8 %. This was primarily caused by the increase of the Segment’s products’ prices and a higher share of more expensive products – such as crash barriers - in the Segments overall sales. The Segment recorded lower results, however, compared to the two preceding quarters, it did not record a loss. Analyzing the market conditions for the products of the Profiles Segment, the Issuer underlines that the maintained negative proportion between the charge material prices and the finished products' prices and a considerable increase of the imports adversely affect the Segment's result. The Issuer puts emphasis on the significant market variability which is related to the affecting various often overlapping factors, price policy adopted by steel works in response to the EU decisions or the commencement of the infrastructural investments planned within the new financial perspective.

In the 1st quarter of 2018 the Zinc Segment's net sales amounted to PLN 519 352 thousand and increased by 4.8 % in relation to the comparable period in the previous year when the sales amounted to PLN 495 534 thousand.

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

1st Quarter of 2017
Average LME zinc price: 2 780 USD/ton
Average LME lead price: 2 278 USD/ton
Average LME silver price: 17.4 USD/oz.
USD exchange rate: PLN 4.0585

1st Quarter of 2018
Average LME zinc price: 3 421 USD/ton
Average LME lead price: 2 523 USD/ton
Average LBM silver price: 16.8 USD/oz.
USD exchange rate: PLN 3.4009

Converted to PLN, the base LME zinc price increased by 3 %, from PLN 11 283 in the 1st quarter of 2017 to PLN 11 635 in the present reporting period. The price of zinc determines over 87% of the turnover generated by ZGH and its subsidiary companies.

Converted to PLN, the base LME lead price increased by 7 %, from PLN 9 245 in the 1st quarter of 2017 to PLN 8 579 in the present reporting period. The price of lead determines approximately 7% of the turnover generated by ZGH and its subsidiary companies.

Het LBM silver basic reference price converted to PLN increased by 19 % from 70.7 per ounce in the 1st quarter of 2017 to PLN 57.0 per ounce in the analyzed period. The price of silver determines approximately 2% of the turnover generated by ZGH and its subsidiary companies.

The sales volume of zinc products in the 1st quarter of 2018 was higher by 2.9 % compared to the analogical period of the previous year. The sales volume of refined lead decreased in the 1st quarter of 2018 by 24 % in relation to the 1st quarter of 2017. Also the sales volume of lead concentrates dropped by 18 % in relation to the 1st quarter of 2017.

The sales volume of silver increased in the 1st quarter of 2018 by 30 % in relation to the 1st quarter of 2018.

Summing up, the increase of zinc prices and increase of its sales volume in the 1st quarter of 2018, as compared to the analogical period of the previous year, compensated the decrease of lead prices and lead products' sales volume and, in effect, the Zinc Group's sales increased by 4.8 %.

In the 1st quarter of 2018, the Segment's profit margin reached the level of 22.9 % and was by 1.9 percentage points lower than the profit margin in the 1st quarter of 2017. The factors responsible for the decrease of the profit margin in the current period mainly were:

- decrease of the US dollar's exchange rate,
- decrease of the Zn-Pb mining output, leading to the decrease of the concentrates production,
- decrease of the lead products' sales volume,
- decreasing share of the concentrate originating from the company's own mine in the production of zinc,
- considerable increase of the market prices for the purchased zinc-lead charge materials compared to the previous year, accompanied by the simultaneous decrease of TC compared to the previous year,
- increase of reductors' prices in the ISP process and the Waelz process (coke, coke breeze).

VI. Financial instruments and risk management assessment

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

As of 31 March 2018, the subsidiary companies belonging to the Zinc Segment were applying cash flow hedge accounting for commodity and currency swaps in accordance with the rules described in the Annual Report. As of 31 March 2018 they held the following hedging measures active (the connections have been planned for the period from January 2018 to December 2020):

1) currency

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
Active currency hedging instruments as of 31.03.2018 r.			**PLN thousand**		
Cash Flow Hedging	forward	$218 989 500,00	79 033	79 033	risk from USD/PLN exchange rates
Cash Flow Hedging	forward	€3 350 000,00	1 413	1 413	risk from EUR/PLN exchange rates
Cash Flow Hedging	option strategies		0	0	risk from USD/PLN exchange rates
Cash Flow Hedging	option strategies (collar)				risk from EUR/PLN exchange rates

2) raw material

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
Active commodity hedging instruments as of 31.03.2018 (zinc)			**PLN thousand**		
Cash Flow Hedging	swap	24 825	-41 179	-41 179	Price Change Risk Zn LME PLN
Cash Flow Hedging	swap (USD)	73 150	-137 601	-137 601	Price Change Risk Zn LME USD
Cash Flow Hedging	option strategies (collar)	15 000	-9 407	-8 327	Price Change Risk Zn LME
Cash Flow Hedging	put	7 500	1 835	0	Price Change Risk Zn LME
Cash Flow Hedging	call	7 500	-11 242	-8 327	Price Change Risk Zn LME
Active commodity hedging instruments as of 31.03.2018 (lead)			**PLN thousand**		
Cash Flow Hedging	swap	5 050	400	400	Price Change Risk Pb LME PLN
Cash Flow Hedging	swap (USD)	2 250	-2 392	-2 392	Price Change Risk Pb LME USD
Cash Flow Hedging	option strategies (collar)	4 200	-209	-481	Price Change Risk Pb LME
Cash Flow Hedging	put	2 100	1 045	31	Price Change Risk Pb LME
Cash Flow Hedging	call	2 100	-1 254	-512	Price Change Risk Pb LME
Active commodity hedging instruments as of 31.12.2017 (silver)			**PLN thousand**		
Cash Flow Hedging	swap	0	0	0	Price Change Risk Ag LMBA

Explanations Referring to Balance Sheet Items Related to Derivative Instruments

Explanation Referring to the Item: Other long- and Short-Term Investments	PLN thousand	
	31.03.2018	31.03.2017
Long-Term investments	43 010	19 944
Short-Term Investments	102 287	48 063
TOTAL, including:	**145 297**	**68 007**
a) valuation of derivative transactions	90 930	25 855
b) securities	54 317	42 152

Explanation to Item: Liabilities pertaining to hedging instruments	PLN thousand	
	31.03.2018	31.03.2017
Contracts for Hedging Transactions	61 470	147 343
Conclusions of Currency Option Transactions	149 099	121 165
Adjustment pertaining to the amount resulting from the closed transactions settlements with brokers	-11 751	-9 967
TOTAL	**198 818**	**258 541**

Valuation of Derivative Transactions

Valuation of Derivative Transactions	PLN thousand			
	31.03.2018		31.03.2017	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Commodity Transactions - Zinc	5 455	194 007	9 122	234 774
Commodity Transactions - Lead	2 481	3 939	685	16 706
Currency Transactions - USD/PLN EUR/PLN	82 994	871	15 828	6 989
Commodity Transactions- Silver	0	0	220	72
Total	**90 930**	**198 817**	**25 855**	**258 541**

Division of Hedging Instruments

Division of Hedging Instruments	PLN thousand			
	31.03.2018		31.03.2017	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Hedging Instruments	**86 774**	**196 716**	**23 880**	**249 414**
Commodity Transactions - zinc	3 548	192 477	8 658	225 817
Commodity Transactions - lead	2 481	3 940	685	16 706
Currency Transactions - USD/PLN, EUR/PLN	80 745	299	14 317	6 819
Commodity Transactions - Silver	0	0	220	72
Trade Instruments	**4 156**	**2 102**	**1 975**	**9 127**
Commodity Transactions- zinc	1 907	1 530	463	8 957

Commodity Transactions - lead	0	0	0	0
Currency Transactions - USD/PLN, EUR/PLN	2 249	572	1 512	170
Commodity Transactions - silver	0	0	0	0
Total	**90 930**	**198 818**	**25 855**	**258 541**

Financial Report Presentation of Applied Derivative Instruments

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

Derivative Transactions Presented in the Profit and Loss Account:	PLN thousand	
	31.03.2018	31.03.2017
Sales of Products Adjustment	*-36 963*	*-45 305*
Sales of Goods Adjustments	*0*	*0*
Revaluation of Investments	*1 065*	*4 335*
Gains/Loss on Sale of Investments	*1 821*	*1 253*
Total	**-34 077**	**-39 717**

Cash Result from Reconciliation of Derivative Instruments:	PLN thousand	
	31.03.2018	31.03.2017
Commodity Transactions	*-56 305*	*-43 810*
Currency Transactions	*16 944*	*-2 038*
Total	**-39 361**	**-45 848**

Sales of Products Adjustment Related to Application of Hedging Instruments:	PLN thousand	
	31.03.2018	31.03.2017
Sales Increase	*17 461*	*7 109*
Sales Decrease	*-54 424*	*-52 414*
TOTAL	**-36 963**	**-45 305**

VII. Other Information

1. In the 1st quarter of 2018, the Capital Group did not experience any seasonality consequences. During the reporting period no other positions were recorded, significantly affecting the assets, liabilities, equity, net profit or cash flow, which would be untypical in terms of their kind, volume/size or frequency.

2. As of the balance sheet day, the Stalprodukt S.A. Capital Group holds the below mentioned off-balance-sheet contingent liabilities:
   - guarantees of good workmanship concerning the production and assembly of road barriers totaling PLN 20 498 thousand, and endorsement of a blank promissory note amounting to PLN 13 000 thousand, issued by STP Elbud Sp. z o.o. in order to secure the investment credit granted by Bank Pekao S.A.,
   - guarantees and sureties (avals) granted by ZGH "Bolesław" amounting to PLN 1 547.5 thousand,
   - ZGH "Bolesław" S.A. issued a bill of exchange in connection with the agreement concluded with the National Center for Research and Development, amounting to PLN 38.8 million (wash tubs hall investment project) for subsidizing the project within the Intelligent Development operating program (Number of Agreement POIR.01.01.02-00-0159/16-00).
3. The Issuer does not publish result forecasts.
4. The pending bankruptcy and composition proceedings cover the Group's receivables totaling PLN 4 872 thousand, wherein Stalprodukt's share amounts to PLN 743 thousand and ZGH "Bolesław"'s - PLN 4 129 thousand.

   During the reporting period, no other essential proceedings were instituted or pending before the courts or government agencies, concerning any liabilities or receivables, which might exert a significant influence on the Group's future results and its financial standing.
5. As of the Report submission day, the shareholders holding at least 5% of the total number of votes at the General Meeting of Shareholders are:
   - STP Investment S.A. holding 1 829 319 shares, accounting for a 32.78 %-share in capital and 5 875 691 votes, accounting for 48.17 % of the total number of votes at the General Meeting of Shareholders,
   - Stalprodukt Profil S.A. holding 579 652 shares, accounting for 10.39 %-share in capital and 1 095 488 votes, accounting for 8.98 % of the total number of votes at the General Meeting of Shareholders.
   - ArcelorMittal Sourcing a société en commandite par actions holding 1 066 100 shares, accounting for a 19.10 %-share in capital and 1 066 100 votes, accounting for a 8.74 % of the total number of votes at the General Meeting of Shareholders.
6. As of the Report submission day, the ownership statuses of management and supervision officers in respect of the Issuer's shares are as follows:

   a/ management officers:

   - Piotr Janeczek 115 053 shares of nominal value: PLN 230 106,
   - Józef Ryszka 504 shares of nominal value: PLN 1 008,

- Łukasz Mentel 100 shares of nominal value: PLN 200.

b/ supervision officers:

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

Moreover, Piotr Janeczek, by a subsidiary STP Investment S.A. holding 1 829 319 shares, accounting for a 32.78 %-share in capital and 5 875 691 votes, accounting for 48,17 % of the total number of votes at the General Meeting of Shareholders.

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

8. The total value of the Issuer's transactions with associated companies in the period from 01.01.2018 to 31.03.2018 and in the comparable period from 01.01.2017 to 31.03.2017 is presented in the Table below.

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

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

Items the 1st quarter of 2017	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-MB sp. z o.o.	62	1 292	102	560
Stalprodukt-Wamech sp. z o.o.	145	1 991	369	2 269
Stalprodukt-Centrostal sp. z o.o.	76 713	41	89 905	72
Stalprodukt-Serwis sp. z o.o.	72	1 883	187	2 162
Stalprodukt-Zamość sp. z o.o.	78	119	194	150
Stalprodukt-Ochrona sp. z o.o.	22	534	58	651
STP Elbud sp. z o.o.	323	3 052	839	4 997
Anew Institute sp. z o.o.		294		239
ZGH “Bolesław” S.A.		20		79
Cynk-Mal S.A.	9 775	583	8 612	1 361

9. In the reporting period the Group made investment outlays on the purchase and formation of tangible fixed assets amounting to PLN 43 419 thousand. No significant fixed asset components have been disposed of during the reporting period.

10. On 15 December 2017 an agreement was signed for the purchase of shares of the GO Steel Frydek-Mistek a.s. company based in the Czech Republic from the ArcelorMittal S.A. company based in Luxemburg. The final consideration, comprising a cash payment, conditional payment and value attributed to the signed trade agreement, will total EUR 40 million. The agreement signed was of a conditional character and its coming into force was dependent on the concentration permit to be obtained from the appropriate antimonopoly offices in Austria, Turkey and Germany.

11. On 16 February 2018, the Issuer obtained the required permit of the anti-monopoly office in Turkey, by which the condition precedent, suspending the signed agreement for the purchase of the Go Steel Frydek-Mistek a.s. shares from coming into force, was fulfilled. The deadline for the conclusion of the transaction was arranged with the Seller and fixed on 28 February 2018.

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

    1. regarding the suit brought by Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. in Olkusz against the Company for the payment of compensation in the amount of PLN 64,015,224.00 (File No IX GC 99/14) issued a preliminary judgement, recognizing the action of PWiK sp. z o.o. in Olkusz as justified as a matter of principle. The potential amount of the compensation shall be

subject to further proceedings and may total the maximum of PLN 64 million. In connection with the referenced lawsuit, already in 2015, the Company formed a provision amounting to PLN 15 million. The judgement is not final and legally binding. The Company shall lodge an appeal against the judgement,

2. regarding the suit brought by the Company against PWiK sp. z o.o. in Olkusz for declaratory action seeking to establish that the Company is not liable for the lack of water supplies resulting from the mine dewatering activities after the mine liquidation and that the Company is not liable for the pollution of the existing or former water intakes, PWiK sp. z o.o. (File No IX GC 543/13), issued a judgement dismissing the action. The judgement is not final and legally binding. The Company shall lodge an appeal against the judgement.

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

a) *from the beginning of 2017 onwards, PWiK sp. z o.o. ceased to use the mining waters, provided by the Company, in its activities as defined in the Articles of Association. Staring from that moment, PWiK sp. z o.o. has exclusively used its own independently-constructed water supply system, based, in particular, on the Kolbark, Cieślin and Bydlin water intakes. The above intakes seem to sufficiently secure the Olkusz region's water supply,*
b) *what is recognized as damages in the case concerned, is the value of the outlays made by PWiK sp. z o.o. in order to build the new water supply system. It should be pointed out that, considering the present condition, as for today PWiK sp. z o.o. expended around gross PLN 29 million to this end. These funds were used for the construction of the above mentioned water intakes and water distribution pipelines. Therefore, at the present moment, this is how much the damages total and not PLN 64 million,*
c) *in the Company's assessment, the potential compensation amount should be rendered as a net amount (exclusive of VAT, which PWiK sp. z o.o. may deduct). The present status means that the above mentioned amount should be reduced by 23%.,*
d) *while building the water supply system, PWiK sp. z o.o. benefited from the EU extra funding amounting to 60-80% of the project value. In the Company's assessment, the adversary has not sustained any loss in this respect,*
e) *determining the compensation amount, one should exclude investments related to the water supply activities, e.g. water chlorination equipment, UV irradiation,*
f) *the above issues shall, most probably, be the object of further proceeding, including the valuations to be made by the experts.*

Moreover, it should be reminded that the issue of contingent liabilities related to the acquisition of ZGH "Bolesław" S.A. was described in detail in the Stalprodukt S.A. Consolidated Financial Report for the year 2013 (item 11. Settlement of the ZGH

"Bolesław" S.A. purchase price). The contingent liabilities were defined as resulting from the risks identified by the Acquirer and related, among others, to: the "Olkusz-Pomorzany" mine liquidation costs and liability for the mining damages. The amount resulting from the above mentioned estimates totaled PLN 296 115 thousand. This amount was entered in the Balance Sheet as of 31.12.2013 in the position "Contingent liabilities due to the purchase of ZGH "Bolesław" S.A".

13. In accordance with the Privatization Agreement signed on 7 November 2012, concluded between the State Treasury of the Republic of Poland and the Stalprodukt S.A. company based in Bochnia, regarding the purchase of the shares of the ZGH "Bolesław" S.A. company, Stalprodukt also submitted an offer of purchase (pursuant to the par. pkt 6.1 and 6.2 of the a.m Agreement) of all the remaining company's shares (i.e. the ones not taken up by the employees authorized to the gratuitous acquisition). As a result of the offer's acceptance by het Ministry of Development on 1.12.2017, i.e. within the period of 60 months from the conclusion of the transaction as provided for in the Agreement, this obligation became binding.
    In effect, on 31.03.2018 an Agreement for the Purchase of 56,192 shares of the ZGH "Bolesław" S.A. company was signed by Stalprodukt S.A. and the Ministry of Entrepreneurship and Technology representing the State Treasury . The total price for the shares purchased amounted to PLN 1,339,055.36, i.e. PLN 23.83 per 1 share. The above mentioned shares account for 0.34 % of the ZGH "Bolesław" S.A. share capital. After Stalprodukt S.A. had been entered to the company's share register as the holder of the above mentioned shares, as of 27 April 2018, the Stalprodukt's total "Bolesław" S.A. share capital increased from 94.59 % (as of 31.03.2018) to the level of 94.92 %.
14. On 20 April 2018, the Issuer's Management Board adopted a resolution regarding the proposed profit distribution for the year 2017, including the disbursement of dividend. In accordance with the proposed distribution the dividend will amount gross PLN 3.00 per share, i.e. PLN 16, 740, 801.
15. Neither the Issuer nor its Capital Group's entities issued, redeemed or paid any debt or other capital securities, apart from the ones referred to herein.
16. During the reporting period and within the submission of the present quarterly report, neither the Parent Company, nor its subsidiaries, granted any sureties, loans, credits or guaranties, apart from the ones referred to herein.
17. In the Issuer's assessment, the factors likely to affect the Group's results at least in the perspective of the coming quarter, shall be:
    - fluctuations of charge prices and demand for Stalprodukt's products,
    - fluctuations of the LME zinc and lead prices and LBM silver prices ,

- fluctuations of currency exchange rates.

18. During the reporting period and following 31.03.2018 until the preparation of the Abridged Consolidated Report for the 1st quarter no other important events took place, apart from the ones mentioned herein, which might significantly affect the Group's standing and its financial results. The Issuer does not possess any other information, which, in his opinion, is essential for the assessment and changes in the Group's staffing level, assets structure and financial standing, or information essential for the assessment of its potential capacity to settle the liabilities incurred.

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

20. No additional information was appended to the Abridged Consolidated Financial Report for the 1st quarter of 2018 as, during the reporting period, no other events, concerning the separate report, took place, apart from the ones referred to herein.

21. This Abridged Consolidated Financial Report for the 1st quarter of 2018 was approved for publication by parent Company's Management Board on 14.05.2018.

…………………………
Łukasz Mentel
Member of the Management Board
– Financial Director

…………………………
Józef Ryszka
Member of the Management Board
– Marketing Director

……………………………………
Piotr Janeczek
President of the Management Board – CEO