



## The Stalprodukt S.A. Capital Group

### **Consolidated Financial Report for the 1<sup>st</sup> half of 2017**

Prepared in compliance with the International Financial Reporting Standards  
(IFRS) approved by the European Union

Bochnia, April 2017

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## Consolidated Financial Report for the 1st half of 2017

### Selected Financial Data

SELECTED FINANCIAL DATA	thousand x PLN		thousand x EUR	
	1st half 2017 increasingly for the period from 01-01-2017 to 30-06-2017	1st half 2016 increasingly for the period from 01-01- 2016 to 30-06- 2016	1st half 2017 increasingly for the period from 01-01-2017 to 30-06-2017	1st half 2016 increasingly for the period from 01-01-2016 to 30-06-2016
I. Net sales of products, goods and materials	1 695 248	1 490 943	399 126	340 359
II. Operating profit (loss)	188 829	216 779	44 458	49 487
III. Profit (loss) before taxation	183 743	234 086	43 260	53 438
IV. Net profit (loss)	150 231	189 238	35 370	43 200
- attributable to shareholders of the parent company	138 939	180 176	32 712	41 131
- net profit attributed to non-controlling interests	11 292	9 062	2 658	2 069
V. Net cash flow from operating activities	99 080	169 464	23 327	38 686
VI. Net cash flow from investment activities	-100 255	-132 067	-23 604	-30 149
VII. Net cash flow from financial activities	70 650	-130 806	16 634	-29 861
VIII. Total net cash flow	69 475	-93 409	16 357	-21 324
IX. Total assets	3 929 433	3 718 971	929 713	840 635
X. Liabilities and provisions for liabilities	1 738 016	1 782 217	411 219	402 852
XI. Long-term liabilities	467 917	502 156	110 710	113 507
XII. Short-term liabilities	940 723	937 956	222 577	212 015
XIII. Shareholders' equity	2 191 417	1 936 754	518 494	437 783
- equity attributable to shareholders of the parent company	2 104 887	1 856 182	498 021	419 571
- equity attributed to non-controlling interests	86 530	80 572	20 473	18 212
XIV. Share capital	11 161	11 161	2 641	2 523
XV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XVI. Profit (loss) for one ordinary share (in PLN)	26,92	33,91	6,34	7,74
XVII. Book value per share (PLN)	392,71	347,07	92,92	78,45
XVIII. Declared or paid-out dividend for one share in (PLN/EUR)	3,00	3,00	0,71	0,69

- Comparable financial data (item IX-XIV and XVIII) was presented pursuant to the requirements of the International Financial Reporting Standards according to the balance for this 31<sup>st</sup> December 2016. Other comparable data is presented for the period from 1<sup>st</sup> January 2016 to 30<sup>th</sup> June 2016.
- EUR exchange rates according to the following principles were used for the conversion of the currency into PLN:
  - the assets and liabilities items of the balance sheet were converted into EUR according to the average rate announced by the National Bank of Poland for this 30<sup>th</sup> June 2017 and amounting to PLN 4.2265 and PLN 4.4240 for this 31<sup>st</sup> December 2016.
  - the profit and loss account items and the cash flow items were converted into EUR according to the rate being the simple average of the average EUR rates announced by the National Bank of Poland on the last day of each month included in the report and amounting to PLN 4.2474 for 1st half 2017 and PLN 4.3805 for 1st half of 2016.
- For profit-per-share calculation the number of 5,580,267 shares was adopted.

# Consolidated Financial Report for the 1st half of 2017

## [Abridged Consolidated Financial Report for 1st half of 2017](#)

### Consolidated balance sheet for 30.06.2017

CONSOLIDATED BALANCE SHEET	thousand x PLN	
	30.06.2017	31.12.2016
<b>Assets</b>		
<b>I. Fixed assets</b>	<b>2 042 395</b>	<b>2 049 396</b>
1. Intangible fixed assets, including:	133 519	135 157
- right of perpetual land use	81 382	81 968
2. Tangible fixed assets	1 769 425	1 775 628
3. Long-term receivables	716	686
4. Long-term investments	46 208	46 029
4.1. Real estate	3 581	3 838
4.2. Intangible assets		
4.3. Long-term financial assets	42 627	42 191
4.5. Other long-term investments		
5. Long-term prepayments	92 527	91 896
5.1. Deferred income tax assets	77 132	76 906
5.2. Other prepayments	15 395	14 990
<b>II. Current assets</b>	<b>1 887 038</b>	<b>1 669 575</b>
1. Inventories	676 919	604 582
2. Short-term receivables	572 550	587 551
3. Short-term investments	593 777	451 574
3.1. Short-term financial assets	451 815	357 153
a) loans	60 000	40 000
b) short-term securities	56 161	30 974
c) cash and cash equivalents	355 654	286 179
3.2. Other short-term investments	121 962	94 421
4. Short-term prepayments	43 792	25 868
<b>Total assets</b>	<b>3 929 433</b>	<b>3 718 971</b>
<b>Liabilities</b>		
<b>I. Shareholders' equity</b>	<b>2 191 417</b>	<b>1 936 754</b>
1. Equity attributable to shareholders of the parent company	2 104 887	1 856 182
1.1. Share capital	11 161	11 161
1.2. Own shares (stocks) (negative value)		
1.3. Reserve capital	492 190	383 479
1.4. Reserve capital from revaluation	-51 142	-169 860
1.5. Other reserve capital	1 473 121	1 376 022
1.6. Retained earnings (losses)	40 618	-70 397

## Consolidated Financial Report for the 1st half of 2017

1.7. Net profit (loss)	138 939	325 777
2. Capital non-controlling interests	86 530	80 572
<b>II. Liabilities and provisions for liabilities</b>	<b>1 738 016</b>	<b>1 782 217</b>
1. Provisions for liabilities	311 156	325 810
1.1. Provision for deferred income tax	86 033	81 471
1.2. Other provisions	225 123	244 339
a) long-term	148 993	149 033
b) short-term	76 130	95 306
2. Long-term liabilities	467 917	502 156
2.1. Long-term credits and loans	112 363	102 640
2.2. Other long-term liabilities	59 439	103 401
2.3. Contingent liabilities due to the purchase of ZGH	296 115	296 115
3. Short-term liabilities	940 723	937 956
3.1. Short-term credits and loans	324 172	229 176
3.2. Current part of long-term credits and loans	10 000	25 000
3.3. Trade liabilities	339 024	336 852
3.4. Income tax liabilities	11 116	31 165
3.5. Other short-term liabilities	256 411	315 763
4. Accruals	18 220	16 295
<b>Total liabilities</b>	<b>3 929 433</b>	<b>3 718 971</b>
Book value	2 191 417	1 936 754
Number of shares	5 580 267	5 580 267
Book value per share (PLN)	392,71	347,07

# Consolidated Financial Report for the 1st half of 2017

## Consolidated profit and loss account for the period 01.01.2017 -30.06.2017

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the period	thousand x PLN	
	1st half 2017 increasingly for the period from 01-01-2017 to 30- 06-2017	1st half 2016 increasingly for the period from 01-01-2016 to 30- 06-2016
<b>I. Net sales of products, goods and materials, including:</b>		
	<b>1 695 248</b>	<b>1 490 943</b>
1. Net sales of products	1 643 414	1 450 789
2. Net sales of goods and materials	51 834	40 154
<b>II. Costs of products, merchandise and materials sold, including:</b>		
	<b>1 411 615</b>	<b>1 166 451</b>
1. Production cost of products sold	1 364 759	1 133 469
2. Value of goods and materials sold	46 856	32 982
<b>III. Gross profit (loss) on sales</b>	<b>283 633</b>	<b>324 492</b>
IV. Selling costs	33 846	35 193
V. General and administrative costs	67 953	63 069
<b>VI. Profit (loss) on sales</b>	<b>181 834</b>	<b>226 230</b>
VII. Other operating incomes	14 424	9 311
VIII. Other operating costs	7 429	18 762
<b>IX. Operating profit (loss)</b>	<b>188 829</b>	<b>216 779</b>
X. Financial incomes	20 547	22 137
XI. Financial costs	25 633	4 817
XII. Profit from shares in associated entities		-13
<b>XIII. Profit (loss) before taxation</b>	<b>183 743</b>	<b>234 086</b>
XIV. Income tax	33 512	44 848
<b>XV. Net profit (loss)</b>	<b>150 231</b>	<b>189 238</b>
1. Attributable to shareholders of the parent company	138 939	180 176
2. Attributed to non-controlling interests	11 292	9 062
Profit (loss) net	150 231	189 238
Weighted average number of ordinary shares	5 580 267	5 580 267
Profit (loss) for one ordinary share (in PLN)	26,92	33,91

## Consolidated Financial Report for the 1st half of 2017

### Total comprehensive consolidated income for the period 01.01.2017-30.06.2017

Total comprehensive consolidated income	thousand x PLN	
	1st half 2017 increasingly for the period from 01-01-2017 to 30- 06-2017	1st half 2016 increasingly for the period from 01-01-2016 to 30- 06-2016
Net result	150 231	189 238
Gain from a bargain purchase		
<b>Total Comprehensive Income</b>	<b>150 231</b>	<b>189 238</b>
Total comprehensive income attributable to the parent company shareholders	138 939	180 176
Total comprehensive income attributed to non-controlling interests	11 292	9 062

## Consolidated Financial Report for the 1st half of 2017

### Statement of changes in consolidated equity for the period 01.01.2017 – 30.06.2017

Statement of changes in equity for the period from 1st January to 30th June 2017 and 2016	thousand x PLN							
	Share capital	Reserve capital	Capital from revaluation	Other reserve capital	Retained profits	Current year net profit	Capital non-controlling interests	Equity TOTAL
<b>Balance on this 1.01.2016 (opening balance)</b>	<b>11 161</b>	<b>383 479</b>	<b>-169 860</b>	<b>1 376 022</b>	<b>255 380</b>		<b>80 572</b>	<b>1 936 754</b>
Profit distribution		96 487		97 099	-193 586			0
Financing the purchase of the Company's own, shares subject to redemption								
Valuation of hedging transactions			128 073					<b>128 073</b>
Intercapital and consolidation transfer		12 224	-9 355		998		-5 334	<b>-1 467</b>
Dividend					-22 174			<b>-22 174</b>
Redemption of own shares								
Total comprehensive income for period 1.01 - 30.06.2016						138 939	11 292	<b>150 231</b>
<b>Balance on this 30.06.2017 (closing balance)</b>	<b>11 161</b>	<b>492 190</b>	<b>-51 142</b>	<b>1 473 121</b>	<b>40 618</b>	<b>138 939</b>	<b>86 530</b>	<b>2 191 417</b>
<b>Balance on this 1.01.2016 (opening balance)</b>	<b>13 450</b>	<b>268 443</b>	<b>69 287</b>	<b>1 432 544</b>	<b>180 578</b>		<b>85 601</b>	<b>2 049 903</b>
Profit distribution		93 988		123 909	-217 897			0
Financing the purchase of the Company's own, shares subject to redemption				-177 716				<b>-177 716</b>
Valuation of hedging transactions			-107 655					<b>-107 655</b>
Intercapital and consolidation transfer		9 023	-3 166	-2 715	-1 774		-9 266	<b>-7 898</b>
Dividend					-18 153			<b>-18 153</b>
Redemption of own shares	-2 289							<b>-2 289</b>
Total comprehensive income for period 1.01- 30.06.2016						180 176	9 062	<b>189 238</b>
<b>Balance on this 30.06.2016 (closing balance)</b>	<b>11 161</b>	<b>371 454</b>	<b>-41 534</b>	<b>1 376 022</b>	<b>-57 246</b>	<b>180 176</b>	<b>85 397</b>	<b>1 925 430</b>



## Consolidated Financial Report for the 1st half of 2017

### Consolidated cash flow account for the period 01.01.2017-30.06.2017

CONSOLIDATED CASH FLOW ACCOUNT for the period	thousand x PLN	
	1st half 2017 increasingly for the period from 01-01-2017 to 30- 06-2017	1st half 2016 increasingly for the period from 01-01-2016 to 30- 06-2016
<b>A. Cash flow from operational activity - indirect method</b>	<b>99 080</b>	<b>169 464</b>
I. Net profit (loss)	150 231	189 238
II. Total adjustments	-51 151	-19 774
1. Net profit share of entities – valuation with equity method		
2. Depreciation	68 936	71 449
3. (Profit) loss from exchange rate fluctuations	24	51
4. Interest and profit share (dividends)	4 712	3 000
5. (Profit) loss on investment activities	-6 163	-10 652
6. Change in reserves	-14 654	21 411
7. Change in inventories	-72 237	-115 718
8. Change in receivables	14 991	-49 174
9. Change in short-term liabilities except for loans and credits	-16 868	65 127
10. Change in accruals	-19 817	-8 208
11. Other adjustments	-10 075	2 940
<b>III. Net cash flow from operating activities</b>	<b>99 080</b>	<b>169 464</b>
<b>B. Cash flow from investment activity</b>	<b>-100 255</b>	<b>-132 067</b>
I. Inflows	11 204	76 687
1. Sales of intangible and tangible fixed assets	391	1 522
2. Sales of real estate properties and intangible assets		
3. From financial assets, including:	10 813	75 165
- financial assets sold	10 613	74 840
- dividends and profit share received		
- repayment of long-term loans granted		
- interest received	200	325
- other inflows from financial assets		
4. Other investment inflows		
II. Outflows	-111 459	-208 754
1. Purchase of intangible and tangible fixed assets	-77 054	-61 994
2. Real estate property and intangible assets		
3. To financial assets, including:	-34 405	-121 410
- financial assets purchased	-34 405	-121 410

## Consolidated Financial Report for the 1st half of 2017

- long-term loans granted		
4. Other investment outflows		-25 350
<b>III. Net cash flow from investment activities</b>	-100 255	-132 067
<b>C. Cash flow from financial activity</b>	<b>70 650</b>	<b>-130 806</b>
I. Inflows	87 279	88 990
1. Net inflows from issue of shares, other capital instruments and		
2. Credits and loans	86 850	88 682
3. Issue of debentures		
4. Other financial inflows	429	308
II. Outflows	-16 629	-219 796
1. Purchase of own shares		-179 150
2. Dividends and other dues paid to shareholders		
3. Outflows from profit distribution, other than dues paid to		
4. Credits and loans repaid	-6 573	-31 810
5. Redemption of debentures		
6. From other financial liabilities	-3 367	-3 367
7. Contractual payments of financial leasing dues	-1 337	-1 193
8. Interest paid	-4 918	-3 628
9. Other financial outflows	-434	-648
<b>III. Net cash flow from financial activities</b>	<b>70 650</b>	<b>-130 806</b>
<b>D. Total net cash flow</b>	<b>69 475</b>	<b>-93 409</b>
<b>E. Balance sheet change in cash, including:</b>	<b>69 475</b>	<b>-93 409</b>
<b>F. Cash (beginning of period)</b>	<b>286 179</b>	<b>267 662</b>
<b>G. Cash (end of period), including:</b>	<b>355 654</b>	<b>174 253</b>
- of limited access and disposal		

**Abridged Financial Report for the 1st half of 2017**  
**Selected Financial Data**

Selected Financial Data	thousand x PLN		thousand x PLN	
	1st half 2017 increasingly for the period from 01-01-2017 to 30- 06-2017	1st half 2016 increasingly for the period from 01-01-2016 to 30- 06-2016	1st half 2017 increasingly for the period from 01-01-2017 to 30- 06-2017	1st half 2016 increasingly for the period from 01-01-2016 to 30- 06-2016
I. Net sales of products, goods and	642 057	645 350	151 165	147 323
II. Operating profit (loss)	11 858	97 616	2 792	22 284
III. Profit (loss) before taxation	102 854	95 788	24 216	21 867
IV. Net profit (loss)	98 322	77 058	23 149	17 591
V. Net cash flow from operating activities	-116 528	104 369	-27 435	23 826
VI. Net cash flow from investment	79 351	-5 435	18 682	-1 241
VII. Net cash flow from financial activities	52 578	-100 279	12 379	-22 892
VIII. Total net cash flow	15 401	-1 345	3 626	-307
IX. Total assets	2 082 469	1 963 236	492 717	443 769
X. Liabilities and provisions for liabilities	549 200	511 548	129 942	115 630
XI. Long-term liabilities				
XII. Short-term liabilities	486 714	455 925	115 158	103 057
XIII. Shareholders' equity	1 533 269	1 451 688	362 775	328 139
XIV. Share capital	11 161	11 161	2 641	2 523
XV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XVI. Profit (loss) per ordinary share (PLN)	17,62	13,81	4,15	3,15
Diluted profit (loss) per ordinary share				
XVII. Book value per share (PLN)	274,77	260,15	65,01	58,80
Diluted book value per share (PLN)				
XVIII. Declared or paid-out dividend for one share in (PLN/EUR)	3,00	3,00	0,71	0,68

- Comparable financial data (item IX-XIV and XVIII) was presented pursuant to the requirements of the International Financial Reporting Standards according to the balance for this 31<sup>st</sup> December 2016. Other comparable data is presented for the period from 1<sup>st</sup> January 2016 to 30<sup>th</sup> June 2016.
- EUR exchange rates according to the following principles were used for the conversion of the currency into PLN:
  - the assets and liabilities items of the balance sheet were converted into EUR according to the average rate announced by the National Bank of Poland for this 30<sup>th</sup> June 2017 and amounting to PLN 4.2265 and PLN 4.4240 for this 31<sup>st</sup> December 2016.
  - the profit and loss account items and the cash flow items were converted into EUR according to the rate being the simple average of the average EUR rates announced by the National Bank of Poland on the last day of each month included in the report and amounting to PLN 4.2474 for 1st half 2017 and PLN 4.3805 for 1st half of 2016.
- For profit-per-share calculation the number of 5,580,267 shares was adopted.

# Consolidated Financial Report for the 1st half of 2017

## Balance sheet for 30.06.2017

BALANCE SHEET	thousand x PLN	
	30.06.2017	31.12.2016
<b>Assets</b>		
<b>I. Fixed assets</b>	<b>1 350 041</b>	<b>1 357 906</b>
1. Intangible fixed assets, including	40 971	41 696
- right of perpetual land use	36 080	36 080
2. Tangible fixed assets	851 424	857 199
3. Long-term receivables		
4. Long-term investments	456 144	457 746
4.1. Real estate investments	95 010	96 781
4.2. Intangible assets		
4.3. Long-term financial assets	361 134	360 965
4.4. Other long-term investments		
5. Long-term prepayments	1 502	1 265
5.1. Deferred income tax assets	1 502	1 265
5.2. Other prepayments		
<b>II. Current assets</b>	<b>732 428</b>	<b>605 330</b>
1. Inventories	295 894	268 106
2. Short-term receivables	348 777	266 863
- including dividend receivables	94 267	
- including trade receivables in excess of 1 year	942	952
3. Short-term investments	75 698	60 892
3.1. Short-term financial assets	75 477	60 676
a) loans	41 000	41 600
b) own shares at nominal value		
c) cash and cash equivalents	34 477	19 076
3.2. Other short-term investments	221	216
4. Short-term prepayments	12 059	9 469
<b>Total assets</b>	<b>2 082 469</b>	<b>1 963 236</b>
<b>Liabilities</b>		
<b>I. Shareholders' equity</b>	<b>1 533 269</b>	<b>1 451 688</b>
1. Share capital	11 161	11 161
2. Own shares (stakes) (negative value)		
3. Reserve capital	104 184	104 184
4. Reserve capital from revaluation		
5. Other reserve capital	1 319 602	1 240 612
6. Retained earnings (losses)		
7. Net profit (loss)	98 322	95 731

## Consolidated Financial Report for the 1st half of 2017

<b>II. Liabilities and provisions for liabilities</b>	<b>549 200</b>	<b>511 548</b>
1. Provisions for liabilities	<b>56 564</b>	<b>50 035</b>
1.1. Provision for deferred income tax	47 818	43 049
1.2. Other provisions	8 746	6 986
a) long-term	5 100	5 044
b) short-term	3 646	1 942
2. Long-term liabilities		
2.1. Long-term credits and loans		
2.2. Other long-term liabilities		
3. Short-term liabilities	<b>486 714</b>	<b>455 925</b>
3.1. Short-term credits and loans	259 980	189 974
3.2. Current part of long-term credits and loans	10 000	25 000
3.3. Trade liabilities	173 844	202 495
- including trade receivables in excess of 1 year	1 757	1 831
3.4. Income tax liabilities		11 589
3.5. Other short-term liabilities	42 890	26 867
4. Accruals	<b>5 922</b>	<b>5 588</b>
<b>Total liabilities</b>	<b>2 082 469</b>	<b>1 963 236</b>
Book value	1 533 269	1 451 688
Number of shares	5 580 267	5 580 267
Book value per share (PLN)	274,77	260,15

Profit and loss account for the period 01.01.2017-30.06.2017

PROFIT AND LOSS ACCOUNT for the period	thousand x PLN	
	1st half 2017 increasingly for the period from 01-01-2017 to 30-06-2017	1st half 2016 increasingly for the period from 01-01-2016 to 30-06-2016
<b>I. Net sales of products, goods and materials,</b>	<b>642 057</b>	<b>645 350</b>
1. Net sales of products	612 111	624 725
2. Net sales of goods and materials	29 946	20 625
<b>II. Costs of products, goods and materials sold,</b>	<b>591 817</b>	<b>512 654</b>
1. Production cost of products sold	562 553	492 557
2. Value of goods and materials sold	29 264	20 097
<b>III. Gross profit (loss) on sales</b>	<b>50 240</b>	<b>132 696</b>
IV. Selling costs	17 670	16 686
V. General and administrative costs	17 808	17 774
<b>VI. Profit (loss) on sales</b>	<b>14 762</b>	<b>98 236</b>
VII. Other operating incomes	696	4 374
VIII. Other operating costs	3 600	4 994
<b>IX. Operating profit (loss)</b>	<b>11 858</b>	<b>97 616</b>
X. Financial incomes	94 655	717
XI. Financial costs	3 659	2 545
<b>XII. Profit (loss) before taxation</b>	<b>102 854</b>	<b>95 788</b>
XIII. Income tax	4 532	18 730
<b>XIV. Net profit (loss)</b>	<b>98 322</b>	<b>77 058</b>
Net profit (loss)	98 322	77 058
Weighted average number of ordinary shares	5 580 267	5 580 267
Profit (loss) per ordinary share (PLN)	17,62	13,81
Weighted average predicted number of ordinary shares		
Diluted profit (loss) per ordinary share (PLN)		

**Total comprehensive income for the period 01.01.2017-30.06.2017**

TOTAL COMPREHENSIVE INCOME for the period	thousand x PLN	
	1st half 2017 increasingly for the period from 01-01-2017 to 30- 06-2017	1st half 2016 increasingly for the period from 01-01-2016 to 30-06-2016
Net result	98 322	77 058
<b>Total Comprehensive Income</b>	<b>98 322</b>	<b>77 058</b>

## Consolidated Financial Report for the 1st half of 2017

### Statement of changes in equity for the period 01.01.2017-30.06.2017

Statement of changes in equity for the period from 1st January to 30th June 2017 and 2016	thousand x PLN						
	Share capital	Supplementary capital	Revaluation reserve	Other reserve capital	Retained profits	Current year net profit	Equity TOTAL
<b>Balance on this 01.01.2017 (opening balance)</b>	<b>11 161</b>	<b>104 184</b>		<b>1 240 612</b>	<b>95 731</b>		<b>1 451 688</b>
<b>Profit distribution</b>				<b>78 990</b>	<b>-78 990</b>		<b>0</b>
Intercapital transfer							
Dividend					-16 741		<b>-16 741</b>
Total comprehensive income for period 1.01 - 30.06.2017						98 322	<b>98 322</b>
<b>Balance on this 30.06.2017 (closing balance)</b>	<b>11 161</b>	<b>104 184</b>		<b>1 319 602</b>	<b>0</b>	<b>98 322</b>	<b>1 533 269</b>
<b>Balance on this 01.01.2016 (opening balance)</b>	<b>13 450</b>	<b>104 184</b>	<b>3 166</b>	<b>1 324 654</b>	<b>108 661</b>		<b>1 554 115</b>
<b>Profit distribution</b>				<b>90 508</b>	<b>-90 508</b>		<b>0</b>
Intercapital transfer			-3 166	3 166			<b>0</b>
Dividend					-18 153		<b>-18 153</b>
Financing the purchase of the Company's own, shares subject to redemption				-177 716			<b>-177 716</b>
Redemption of own shares	-2 289						<b>-2 289</b>
Total comprehensive income for period 1.01 - 30.06.2016						77 058	<b>77 058</b>
<b>Balance on this 30.06.2016 (closing balance)</b>	<b>11 161</b>	<b>104 184</b>	<b>0</b>	<b>1 240 612</b>	<b>0</b>	<b>77 058</b>	<b>1 433 015</b>



# Consolidated Financial Report for the 1st half of 2017

## Cash flow account for the period 01.01.2017-30.06.2017

CASH FLOW ACCOUNT for the period	thousand x PLN	
	1st half 2017 increasingly for the period from 01-01-2017 to 30- 06-2017	1st half 2016 increasingly for the period from 01-01-2016 to 30- 06-2016
<b>A. Cash flow from operating activities – indirect method</b>	<b>-116 528</b>	<b>104 369</b>
I. Net profit (loss)	98 322	77 058
II. Total adjustments	-214 851	27 311
1. Depreciation	23 540	25 707
2. (Profit) loss from exchange rate fluctuations		
3. Interest and profit share (dividends)	-92 044	1 397
4. (Profit) loss on investment activities	278	1 646
5. Change in reserves	6 528	6 275
6. Change in inventories	-27 788	-33 145
7. Change in receivables	-81 914	-23 579
8. Change in short-term liabilities except for loans and credits	-40 958	55 803
9. Change in accruals	-2 493	-2 529
10. Other adjustments		-4 264
III. Net cash flow from operating activities	-116 528	104 369
<b>B. Cash flow from investment activities</b>	<b>79 351</b>	<b>-5 435</b>
I. Inflows	95 599	879
1. Sales of intangible and tangible fixed assets	32	54
2. Sales of real estate properties and intangible assets		
3. From financial assets, including:	95 567	825
- financial assets sold		
- dividends and profit share received	94 267	
- repayments of long-term loans granted		
- interest received	200	325
- other inflows from financial assets	1 100	500
4. Other investment inflows		
II. Outflows	-16 248	-6 314

## Consolidated Financial Report for the 1st half of 2017

1. Purchase of intangible and tangible fixed assets	-15 779	-4 220
2. Real estate property and intangible assets		
3. To financial assets, including:	-669	-2 094
- financial assets purchased	-669	-2 094
- long-term loans granted		
4. Other investment outflows		
III. Net cash flow from investment activities	79 351	-5 435
<b>C. Cash flow from financial activities</b>	<b>52 578</b>	<b>-100 279</b>
I. Inflows	55 434	81 242
1. Net inflows from issue of shares, other capital instruments or capital receipts		
2. Credits and loans	55 006	81 242
3. Issue of debentures		
4. Other financial inflows	429	
II. Outflows	-2 856	-181 521
1. Purchase of own shares		-179 150
2. Dividends and other dues paid to shareholders		
3. Outflows from profit distribution, other than dues paid to shareholders		
4. Credits and loans repaid		
5. Redemption of debentures		
6. From other financial liabilities		
7. Contractual payments of financial lease dues		
8. Interest paid	-2 423	-1 723
9. Other financial outflows	-433	-648
III. Net cash flow from financial activities	52 578	-100 279
<b>D. Total net cash flow</b>	<b>15 401</b>	<b>-1 345</b>
<b>E. Balance sheet change in cash</b>	<b>15 401</b>	<b>-1 345</b>
<b>F. Cash (beginning of period)</b>	<b>19 076</b>	<b>19 657</b>
<b>G. Cash (end of period)</b>	<b>34 477</b>	<b>18 312</b>

## **Additional Information (Abridged Consolidated Financial Report for 1st half of 2017)**

### **Introductory Information**

#### **The basic data**

Apart from the Parent Company, the Stalprodukt S.A. Capital Group embraces 10 entities which constitute subsidiary companies. As of 30.06.2017, Stalprodukt S.A. held 100% shares in its subsidiary companies except for: Zakłady Górniczo - Hutnicze „Bolesław” S.A., where it holds 94.58% 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,
  - Bolesław Recykling Sp. z o.o. – zinc-bearing materials processing and recycling services as well as production and sales of non-ferrous metal concentrates (from 03.04.2017 merger with ZGH Bolesław S.A.),
  - 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).
- trade activities:
  - Stalprodukt-Centrostal Kraków Sp. z o.o., managing the all-Poland sales network with department and trade offices in Gliwice, Włocławek, Wrocław, Szczecin and Radom,

- Stalprodukt - Zamość Sp. z o.o.,
- other production- and services-related activities:
  - production of galvanized banding steel and wire, as well as steel strips - Cynk-Mal S.A.,
  - spare parts production and regeneration - Stalprodukt-Wamech Sp. z o.o.,
  - installation, repair/renovation and maintenance of machines - Stalprodukt-Serwis Sp. z o.o.,
  - structural steel production - STP Elbud Sp. z o.o., Stalprodukt-Wamech Sp. z o.o.,
  - galvanizing services - STP Elbud Sp. z o.o. and Cynk-Mal S.A.,
  - roads and freeways construction and management – Stalprodukt MB Sp. z o.o.
  - bodyguard and property security - Stalprodukt Ochrona Sp. z o.o.,
  - designing equipment related to the use of renewable energy sources – Anew Institute Sp. z o.o.

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

1. On 01 July 2016 Sale Agreements were concluded, concerning the sale of the shares issued by Cynk-Mal S.A., between the Issuer and the Shareholders, i.e. Mr. Marek Picz and Mr. Andrzej Czekajło. The object of the Agreements was the buyback of 9 891 000 shares for the price of PLN 3, 956. 400 (In words: three milion nine hundred fifty-six thousand four hundred), i.e for PLN 0.40 per share. The shares being the object of the Agreement account for 49% of the share capital. As a result of the transaction, the Issuer holds 100% of the shares in the subsidiary company.
2. In the 1<sup>st</sup> half of 2017, the ZGH „Bolesław” S.A. capital share was raised up to 94,58% compared to 94.48% towards the end of the comparable period, as a part of the repurchase of employee shares.
3. 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.

### Subsidiary

In the reporting year, the Stalprodukt Capital Group embraced the following subsidiary companies and companies consolidated at the level of ZGH „Bolesław” S.A. Additionally, the Parent Company and its subsidiaries also hold shares in the entities, over which they do not hold control, joint control or over which they do not exert significant influence, as determined pursuant to IFRS 10, IFRS11 and IAS 28.

## Consolidated Financial Report for the 1st half of 2017

No	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	nature of the relation (subsidiary, interdependent unit, associate, with specification of direct and indirect relations)	the applied method of consolidation/ equity valuation method, or indication that the unit is not subject to consolidation/ equity valuation method	date of take- over of control/ joint control/ obtaining a significant impact	percenta ge of capital held	share of the total number of votes at a general meeting
1.	Stalprodukt-MB sp. z o.o.	Bochnia	construction and maintenance of roads and highways	subsidiary	full consolidation	17.10.1997	100	100
2.	Stalprodukt- Wamech sp. z o.o.	Bochnia	production of spare parts and repair services	subsidiary	full consolidation	05.12.1997	100	100
3.	Stalprodukt- Centrostal sp. z o.o.	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997	100	100
4.	Stalprodukt- Serwis sp. z o.o.	Bochnia	services of installation, repair and maintenance of machinery	subsidiary	full consolidation	29.12.1998	100	100
5.	Stalprodukt- Zamość sp. z o.o.	Zamość	woodwork production and trade of metallurgical products	subsidiary	full consolidation	09.12.1997	100	100
6.	Stalprodukt- Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000	100	100
7.	STP Elbud sp. z o.o.	Kraków	manufacture of structures and galvanizing services	subsidiary	full consolidation	01.06.2005	100	100
8.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008	100	100
9.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	100	100
10.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	94.56	94.56
11.	Bolesław Recycling Sp. z o.o.	Bukowno	metal waste and scrap management	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	01.03.2004	100,00	100,00
12.	BOLTECH Sp. z o.o.	Bukowno	heat supplies, alterations/ repair services, production of zinc product dolomite aggregate zinc products, transport- & equipment- related services.	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	01.03.2004	100,00	100,00

## Consolidated Financial Report for the 1st half of 2017

13.	Karo Sp. z o.o.	Bukowno	Investigative, detective and security-related activities	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	01.03.2004	100,00	100,00
14.	Huta Cynku Miasteczko Śląskie S.A.	Miasteczko Śląskie	production and sales of zinc, lead and alloys of these metals	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	29.09.2010	92,73	92,73
15.	Gradir Montenegro d.o.o. Niksic	Novaka Ramowa	zinc and lead mining and production of metal concentrates	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	11.07.2011	100,00	100,00
16.	Polska Technika Zabezpieczeń Sp z o.o.	Warszawa	distribution of construction woodwork	Stalprodukt Zamość Sp. z o.o. subsidiary company	full consolidation	31.12.2015	71,43	71,43
17.	Przedsiębiorstwo Robót Drogowych Olkusz Sp. z o.o.	Olkusz	road construction and repairs.	Boltech Sp. z o.o. subsidiary company	full consolidation at the ZGH Capital Group's level	01.09.2010	100,00	100,00
18.	F&R Finance Sp. z o.o.	Myślenice, Jawornik	financial activity	Bolesław Recycling Sp. z o.o. subsidiary company	consolidation with equity method at the level of ZGH Bolesław Capital Group	23.04.2014	19,68	19,68
19.	Stalprodukt-Profil S.A.	Bochnia	trade of metallurgical products	Stalprodukt S.A. subsidiary company	not applicable	not applicable	16,00	16,00
20.	StalNet Sp. z o.o.	Kraków	Internet commerce	Stalprodukt S.A. subsidiary company	not applicable	not applicable	19,50	19,50
21.	STP Investment S.A.	Bochnia	financial activity	personal	not applicable	not applicable	0,00	0,00

### 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 2017 to 30 June 2017 with the use of the full consolidation method, considering all the Group's subsidiaries. The comparable data cover the period from 1 January 2016 to 30 June 2016 referring to the profit and loss account and the cash flow statement, the balance sheet values reflect the status as of 31 December 2016.

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 19.02.2009 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 2014, item 133 with subsequent amendments).

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

### Accounting Principles (Policy)

1. In the semi-annual 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 2016.

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 appraised 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 2016.

3. The information contained in the Consolidated Financial Report for 2016 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.

The Issuer's Individual Financial Report, incorporated herein, was also prepared in compliance with the above principles.

### Estimated Values

In the 1st half of 2017, the Group made the following adjustments in respect of the provisions, revaluations and write-downs revaluating the asset components:

- a deferred income tax provision was increased by the amount of PLN 4 562 thousand in connection with the occurrence of positive temporary differences,
- A provision was formed for doubtful receivables amounting to PLN 393 thousand and the one amounting to PLN 886 thousand was released;
- a provision for employee benefits was formed in the amount of PLN 8 165 thousand, and the provision for employee benefits amounting to PLN 10 594 thousand was released,
- a provision for repairs was created in the amount of PLN 4 426 thousand, and the one amounting to PLN 8 764 thousand was released,
- a provision for deteriorating profitability was formed in the amount of PLN 4 200 thousand,
- a provision for electrical energy origin certificates and CO2 emission allowances was created in the amount of PLN 3 740 thousand, and the one amounting to PLN 11 389 thousand was released,
- the provision for restructuring purposes, amounting to PLN 1 508 thousand was released,
- a provision for royalties was formed in the amount of PLN 709 thousand, and the one amounting to PLN 256 thousand was released,
- the provision for coke price increases amounting to PLN 8 000 thousand was released,
- a provision in the amount PLN 55 thousand was formed for land reclamation.



## 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 2016.

Information on Operating Segments for 1<sup>st</sup> half of 2017 (PLN Thousand)

Itemization	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	Total Consolidated Value
Segment Revenues	265 182	359 927	970 231	99 908	1 695 248
Segment Costs	250 445	339 824	761 482	93 710	1 445 461
<b>Segment Result</b>	<b>14 737</b>	<b>20 103</b>	<b>208 749</b>	<b>6 198</b>	<b>249 787</b>
Other Operating and Financial Revenues Non-Attributable to the Segment					34 971
Other General, Operating and Financial Costs Non-Attributable to the Segment					101 015
<b>Gross Profit</b>					<b>183 743</b>
Income Tax					33 512
<b>Net Profit</b>					<b>150 231</b>
Segment Assets	789 366	793 274	2 057 987	259 628	3 900 255
Assets Non-Attributable to the Segment					29 178
Total Assets					3 929 433
Liabilities	252 095	311 826	799 842	78 138	1 441 901
Contingent Liabilities					296 115
Total Liabilities					1 738 016
Investment Outlays	2 228	4 372	41 483	18 118	66 201
Depreciation	13 620	8 547	40 314	6 455	68 936

## Consolidated Financial Report for the 1st half of 2017

### Information on Operating Segments for 1<sup>st</sup> half of 2016 (PLN Thousand)

Itemization	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	Total Consolidated Value
Segment Revenues	306 336	323 722	757 951	102 944	1 490 943
Segment Costs	222 741	286 136	604 990	87 777	1 201 644
<b>Segment Result</b>	<b>83 595</b>	<b>37 586</b>	<b>152 951</b>	<b>15 167</b>	<b>289 299</b>
Other Operating and Financial Revenues Non-Attributable to the Segment					31 448
Other General, Operating and Financial Costs Non-Attributable to the Segment					86 661
<b>Gross Profit</b>					<b>234 086</b>
Income Tax					44 848
<b>Net Profit</b>					<b>189 238</b>
Segment Assets	835 764	695 700	1 588 056	227 850	3 347 370
Assets Non-Attributable to the Segment					21 540
Total Assets					3 368 910
Liabilities	217 120	254 960	598 462	76 823	1 147 365
Contingent Liabilities					296 115
Total Liabilities					1 443 480
Investment Outlays	1 932	1 383	74 334	5 171	82 820
Depreciation	14 081	9 931	41 005	6 432	71 449

### Ocena uzyskanych wyników i sytuacja finansowa

In the 1st half of 2017, the Stalprodukt S.A. Capital Group achieved higher sales, exceeding the ones achieved in the analogous period of 2016 by 204 305 thousand, i.e. by 13.70 %. Despite the increased sales and achieved good consolidated results, the Group did not improve the results achieved in the 1st half of 2016. This was, primarily, caused by the deteriorating results of the Electrical Sheets Segment and Profiles Segment which were combined with a very good result in the Zinc Segment. At the operating profit level the result achieved reached the level of PLN 188 829 thousand against PLN 216 779 thousand achieved in the analogous period of 2016. This means that the result was by PLN 27 950 thousand, i.e. by 12.9% lower. As a consequence, compared to the 1st half of 2016, a lower net profit was recorded amounting to PLN 150 231 thousand in relation to PLN 189 238 thousand in 2016.

It should be stressed that the good consolidated result achieved by the Group in the 1<sup>st</sup> half of 2017 in relation to the 1st half of 2016 was possible thanks to the extremely good results recorded in the Zinc Segment. Other operating segments recorded worsened results, which is especially evident from the analysis of the mother Company's separate financial report.

The Electrical Sheets Segment recorded a decrease of sales by PLN 41 154 thousand, i.e. 13.4 %, despite the sales volume increase by 5.3 %. The key factor affecting the above figures were the lower prices as compared to the 1st half of 2016. This factor had a decisive, negative impact on the Segment's result.

In relation to the 1st half of 2016 the Segment recorded the result lower by PLN 68 858 thousand, i.e. 82.3 %. It should be stressed that in the 1<sup>st</sup> quarter of 2017, after the period of an accelerated decrease of prices, in the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2016, the prices were subject to stabilization in relation to the preceding quarter. The result achieved in the 2<sup>nd</sup> quarter of 2017 confirmed the records made at the beginning of the year, however, the Segment's prices level is still significantly lower in relation to the comparable period. Taking into consideration the electrical sheets market condition, the Issuer expects the improvement in the level of prices and the Segment's efficiency in the 2<sup>nd</sup> half of 2017.

The Profiles Segment recorded a sales volume decrease by 17.2 % and, at the same time, the total sales achieved in the Segment were higher by PLN 36 205 thousand, i.e. by 11.2 %. This had, primarily, been caused by the increase of prices for the Segment's products and a higher sales share of the more expensive Segment's products, such as crash barriers. Having analyzed the market conditions for the Profiles Segment, the Issuer expects that following the increase of the prices in the 1st quarter of 2017 and after the prices adjustment in the 2<sup>nd</sup> quarter of 2017, the price increase will return in the 2<sup>nd</sup> half of the year. This increase will, in the Issuer's opinion, be subject to a high level of uncertainty as to its level and scale. This will be caused by the significant level of variability connected with the overlapping of the, frequently, contradictory factors, e.g. the antidumping proceedings, price policy pursued by the EU steel works

## Consolidated Financial Report for the 1st half of 2017

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commencement of the planned infrastructural investments within the framework of the new financial perspective.

In the 1st half of 2017, the Zinc Segment's net sales amounted to PLN 970 231 thousand and increased by 28% in relation to the comparable period in the previous year when the sales amounted to PLN 757 941 thousand. The increase of sales in the 1<sup>st</sup> half of 2017 has resulted from the significant increase of the LME metal prices combined with the USD exchange rate at a similar level.

The prices for the basic metals bought by ZGH "Bolesław" S.A. and its subsidiary companies were as follows:

1st half of 2017

Average LME zinc price 2 690 USD/t.

Average LME lead price 2 221 USD/t.

Average LBM silver price 17.3 USD/oz.

USD exchange rate: PLN 3.9473

1st half of 2016

Average LME zinc price 1 799 USD/t.

Average LME lead price 1 731 USD/t.

Average LME silver price 15.8 USD/oz.

USD exchange rate: PLN 3.9142

The LME zinc basic reference price converted to PLN increased by 51% from PLN 7 039 in the 1<sup>st</sup> half of 2016 to PLN 10 640 in the analyzed period. The price of zinc determines over 85% of the turnover generated by ZGH and its subsidiary companies.

The LME lead basic reference price converted to PLN increased by 30% from PLN 6 778 in the 1<sup>st</sup> half of 2016 to PLN 8 782 in the analyzed period. The price of lead determines approximately 9% of the turnover generated by ZGH and its subsidiary companies.

Het LBM silver basic reference price converted to PLN increased by 10% from 61.9 per ounce in the 1<sup>st</sup> half of 2016 to PLN 68.4 per ounce in the analyzed period. The price of silver determines approximately 2% of the turnover generated by ZGH and its subsidiary companies.

In the 1<sup>st</sup> half of 2017, the zinc products sales volume was comparable to the one achieved in the analogous period of the previous year. In the 1<sup>st</sup> half of 2017, the refined lead sales volume increased by 5% (whereas the lead concentrates sales volume decreased by 20%). In the 1<sup>st</sup> half of 2017, the silver sales volume stayed at the same level as in 2016.

In conclusion, the significant increase of metal prices in the 1st half of 2017, as compared to the analogous period of the previous year, considering some minor changes in the sales volumes of the basic products, influenced the increase of the Zinc Group's total sales by 28%.

The financial standing of the Stalprodukt S.A. Capital Group is stable. The economic and financial ratios, characterizing the economic activity, were not subject to any significant changes and correspond to the current market conditions.

Throughout the entire period the Group was not affected by any payment backlogs, consistently implementing its risk management policy. Both the Issuer and most of the Capital Group's companies enjoy good financial liquidity and credit capacity.

### 7. Financial instruments and risk management assessment

#### Characteristics of financial instruments and rules for their valuation

Financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another.

The main financial instruments used by the Company include bank loans, financial leasing agreements and short-term deposits. The main purpose of these instruments is to raise funds for the activities of companies in the Group.

The Company also have other financial instruments such as cash, supplies and services receivables and payables, which are formed directly in the course of their business.

Moreover, the Issuer has an interest in other entities, which are long-term investments.

While entering financial instruments into the accounts, they are valued at cost (purchase price), which is the fair value of the payment. Transaction costs are recognized in the initial value of financial instruments.

After initial recognition, taking into account the criterion of purchase price, financial instruments are classified into one of four categories and valued as follows:

- financial instruments measured at fair value through profit or loss. This applies to financial instruments acquired in order to generate profits through short-term fluctuations in prices,
- Financial instruments held to maturity are investments with fixed or determinable payments and fixed maturity, which the Company intends to hold to that time. They are valued at amortized cost using the effective interest method,
- loans and receivables - are valued at amortized cost using the effective interest rate, and gains or losses are recognized in the profit and loss account. Receivables with a short maturity, for which the interest rate is not specified, are valued at the amount due,
- financial instruments available for sale (all other financial assets) - are valued at fair value and gains/losses from revaluation are recognized in the revaluation reserve until the sale of investments or reduction of its value. At this point, the total profit or loss from revaluation is referenced to the profit and loss account.

The fair value of financial instruments, which are traded on the current market, is determined in relation to the prices quoted on this market at the balance sheet date. If there is no quoted market price, fair value is estimated based on valuation techniques.

Financial liabilities that are not financial instruments measured at fair value through profit or loss are valued at amortized cost using the effective interest method.

## Consolidated Financial Report for the 1st half of 2017

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Financial instruments are derecognised from the balance sheet when the Company loses control over contractual rights that make up the financial instrument, and this usually happens when the instrument is sold or when all cash flows attributable to that instrument are transferred to an independent third party.

At each balance sheet date, the Company assesses whether there is objective evidence of impairment of a financial asset or the group of financial assets. Such evidence includes: severe financial difficulties of the debtor, the disappearance of an active market for that financial instrument, adverse changes in the economic, legal and market environment of the financial instrument issuer, maintaining a significant decrease in the fair value of the instrument. When such evidence prevails, it is necessary to estimate the losses and make allowance for impairment.

Derivative financial instruments are initially recognized in the books at cost and subsequently measured at fair value. Changes in fair value of derivative financial instruments are recognized immediately in the profit and loss account. Derivatives are presented in the balance sheet as assets or liabilities held for trading.

The fair value of derivative instruments, which are traded on regulated markets, and securities available for sale is determined based on quoted market prices at the balance sheet date.

To estimate the fair value of derivative instruments, the prices of which are not quoted on regulated markets, and other financial instruments, the Company uses different methods and assumptions that are based on market conditions existing at each moment of the balance sheet.

Market and dealer quotations for specific and similar instruments are usually applied. Other techniques such as option pricing models or discounted value of future estimated cash flows, are used to determine the fair value of other instruments.

It is assumed that the nominal value of financial assets and liabilities with a maturity less than one year, reflect their fair values, which means it does not require discounting.

### **The purpose and policy of risk management and measurement methods.**

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.

The main assumption of the "Bolesław" S.A.'s hedging policy is aimed at reducing the Company's sales sensitivity to the decrease of zinc, lead and silver prices as well as the USD

exchange rate. The lower the Company's hedging level is, the more sensitive it is to the declining prices. The lack of hedging would result in the Company's full exposure to the fluctuations of the exchange market zinc, lead and silver prices as well as the USD exchange rate, and in the event the price falls below the break-even level, to significant losses difficult to cover from any funds, especially if the low-price period is prolonged.

The ZGH "Bolesław" S.A.'s policy is based on the application of the financial instruments offered by banks to hedge against the exchange market prices and currency exchange rate fluctuations. ZGH "Bolesław" S.A. applies a type of hedging which consists in the transfer of risk achieved through the application of the 'short hedge' method, which protects the Company against the decrease of metal prices and USD exchange rate fluctuations. The applied derivatives vary depending on type of the market risk to be hedged against.

The main risks associated with the activities of the Group include:

- a) credit risk and contractual risk,
- b) liquidity risk,
- c) market risk, including:
  - interest rate,
  - currency,
  - fluctuations of the LME zinc and lead prices and LBM silver prices.

### Credit and contractual risk

Credit risk in the Parent Company is limited by the current examination of the creditworthiness of contracting parties, by adopting appropriate securities (bank guarantees, letters of credit, bills of exchange, suretyships) and through constant monitoring of overdue receivables. With the aim to maintain current control, the commerce and Finances and Risk Management Departments are obliged to apply the principles set out in the procedures: credit and debt collection. These procedures specify the selection of contracting parties, setting of credit limits and procedure in the case of past due receivables.

The subsidiary companies pursue their own policies in respect of the credit-related risk management. Some of them benefit from the services rendered by the insurance companies insuring liabilities (e.g. Cynk Mal S.A.).

Contractual risk arises when an agreement for the sale of goods under certain conditions of delivery is reached with a customer, which gives rise to obligations on the part of the Company with respect to the contracting party to deliver a specific lot, with a commitment of the Company to proceed to production before getting full payment. The situation results in the risk incurred by the Company in the form of finished goods, which are not collected by the contracting party.

## Consolidated Financial Report for the 1st half of 2017

Contractual risk generally occurs in the Parent Company only when orders are taken for custom products and evaluation is carried out by a person accepting the order. The risk is mitigated through the adoption of appropriate securities or by receiving partial or full prepayment for ordered goods before production.

Item No.	Type of security	Type of hedged risk	30.06.2017			30.06.2016		
			Amount	Currency	thous. PLN	Amount	Currency	thous. PLN
1	Bank guarantees and letters of credit	credit/contract	2 071	PLN	<b>2 071</b>	743	PLN	<b>743</b>
2	Bank guarantees and letters of credit	credit/contract	3 050	EUR	<b>12 891</b>	3 262	EUR	<b>14 436</b>
3	Bank guarantees and letters of credit	credit/contract	7 665	USD	<b>28 408</b>	9 912	USD	<b>39 453</b>
4	Suretyships	credit/contract	899	PLN	<b>899</b>	1 600	PLN	<b>1 600</b>
5	Suretyships	credit/contract	15 200	EUR	<b>64 243</b>	16 065	EUR	<b>71 096</b>
6	Suretyships	credit/contract	1 500	USD	<b>5 559</b>	0	USD	<b>0</b>
	<b>Total</b>				<b>114 071</b>			<b>127 327</b>

The amount at risk equals the balance of short-term receivables plus issued guarantees and sureties granted, the fair value of derivative instruments, adjusted by the adopted securities, as well as claims against the affiliates. This amount is PLN 215,071 thousand.

It should be noted that most customers of the Group are those with whom the Group has been cooperating for many years.

Today, the Parent Company has no restructured receivables, i.e. receivables in respect to the customers with whom the Company entered into an agreement to defer payment. Given the above, the credit quality should be defined as good.

### Liquidity risk

Liquidity risk management refers to the control over financial flows and securing external funding opportunities, in particular: receivables collection and security in the form of credit lines.

In the current financial standing of the Group, with a clear advantage of financing with own funds, liquidity risk does not occur. However, keeping in mind the substantial capital expenditures, with the aim of protection, the Parent Company maintains granted limits on working capital loans, based on agreements reached with cooperating banks. All the credit lines, which were described in detail in the Consolidated Financial Report for the year 2015, are still in operation and are extended by the banks within appropriate deadlines.



## Market Risk

### Exchange Rates Risk

The exchange rate risk can be defined as the unfavourable impact of exchange rates on the Group's results. The following balance sheet positions are exposed to this kind of risk: granted loans, cash deposits and interest-bearing external financing sources.

The decrease of interest rates will result in the decrease of revenue from the interest on the granted loans and free cash flow. This will be accompanied by the reduction of costs related to external financing. The increase of interest rates will stimulate the increase of proceeds from the granted loans and free cash flow. This will be accompanied by the increase of costs related to external financing.

Both the loans, cash and the investment credit are based on variable interest rate (WIBOR, WIBID).

### Currency Risk

EUR is the main currency used both in the exports and intra-community transactions. Considering the risk from EUR/PLN currency fluctuations, the Parent Company uses natural hedging as its sales from individual periods are balanced by the purchases expressed or denominated in EUR. Additionally, the currency position is being constantly monitored. It happens that during a 2-3-week period it is open (short or long), however, its value is insignificant in relation to the turnover.

USD is another currency in which settlements are made. The currency position is being constantly monitored.

The nature of the activities pursued by the subsidiary company - ZGH "Bolesław" S.A. (production and USD sales of LME-quoted zinc and lead) forces the Company to pursue an active hedging policy against the currency-related risk. The Company secures its position, constantly monitoring the changes in raw material prices and currency exchange rates. Hedging itself against the currency exchange rate risk, the subsidiary company applies: forward transactions, average-rate forward transactions, options or option strategies.

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
<b>Active currency hedging instruments as of 30.06.2017 r. PLN thousand</b>					
Cash Flow Hedging	forward	\$189 190 148,00	46 118	46 118	risk from USD/PLN exchange rates
Cash Flow Hedging	forward	€6 100 000,00	2 157	2 157	risk from EUR/PLN exchange rates
Cash Flow Hedging	option strategies (collar)	\$2 620 000,00	762	776	risk from USD/PLN exchange rates
Cash Flow Hedging	option strategies (collar)				risk from EUR/PLN exchange rates

### Risk from Changing Raw Material Prices

In the Stalprodukt S.A. Capital Group the subsidiary ZGH „Bolesław” S.A. pursues an active commodity (Zn and Pb )risk management policy, using various derivative instruments. For metal prices risk management the following transactions are concluded: swap transactions (fixed to float, float to float), options or option strategies, forward contracts.

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
<b>Active commodity hedging instruments as of 30.06.2017 (zinc)</b>			<b>PLN thousand</b>		
Cash Flow Hedging	swap	32 600	-41 533	-41 533	Price Change Risk Zn LME in PLN
Cash Flow Hedging	swap in USD	75 475	-94 439	-94 439	Price Change Risk Zn LME in USD
Cash Flow Hedging	option strategies (collar)	19 000	-3 748	-3 748	Price Change Risk Zn LME
Cash Flow Hedging	put	9 500	6 535	-6 535	Price Change Risk Zn LME
Cash Flow Hedging	call	9 500	-10 283	-10 283	Price Change Risk Zn LME
<b>Active commodity hedging instruments as of 31.12.2017 (lead)</b>			<b>PLN thousand</b>		
Cash Flow Hedging	swap	6 300	-3 477	-3 477	Price Change Risk Pb LME in PLN
Cash Flow Hedging	swap in USD	6 150	-3 794	-3 794	Price Change Risk Pb LME in USD
Cash Flow Hedging	option strategies (collar)	2 400	-677	-353	Price Change Risk Pb LME
Cash Flow Hedging	put	1 200	505	0	Price Change Risk Pb LME
Cash Flow Hedging	call	1 200	-1 182	-353	Price Change Risk Pb LME
<b>Active commodity hedging instruments as of 31.12.2017 (silver)</b>			<b>PLN thousand</b>		
Cash Flow Hedging	swap	40 000	304	304	Price Change Risk Ag LMBA

### ZGH “Bolesław” S.A. and its Subsidiaries' Exposure to Market Risks

The GK Bolesław's exposure to market risks in 2017 is as follows:

- Zinc - approx. 100 000 tons
- Lead - approx. 15 000 tons
- Silver - approx. 540 000 Ozs
- Currency - approx. USD 325 000 000

The currency risk exposure is very strictly dependent on the metal price levels (primary exposure) and may undergo fluctuations in the case they change. Apart from the metal price levels, the currency risk exposure also includes the sales bonuses achieved in zinc and lead alloy transactions.

*Security accounting,*

Due to the small value of the used derivatives, the Group does not keep security accounting. The balance sheet values of particular financial instruments should be considered fair because their valuation carried out by amortized cost (amortized purchase price), using the effective valuation method, showed insignificant differences.

Whereas considering the nature of the pursued activities, the subsidiary company ZGH "Bolesław" S.A. applies hedge accounting based on the internal procedures prepared in compliance with the International Accounting Standards. The risk management policy is based on the decisions issued by the Risk Committee. The details are defined in the ZGH "Bolesław" S.A.'s Hedging Policy, approved by the Management Board with the Resolution 2/2011 dated 14 January 2011. In order to hedge itself against metal price fluctuations, the Company concludes swap transactions, options or option strategies and forward contracts. The market risk management details are clearly defined in the risk management procedure. The Financial Division is divided into two main blocks, i.e. the Front Office with its executive unit– Risk Management Department, supervising officer – Financial Director and the Back Office with its executive unit – Hedge Accounting Department with Chief Accountant as a supervising officer.

*Explanations Referring to Balance Sheet Items Related to Derivative Instruments*

Explanation Referring to the Item: Other long- and Short-Term Investments	PLN thousand	
	30.06.2017	30.06.2016
Long-Term investments	35 332	1 153
Short-Term Investments	87 901	24 493
<b>TOTAL, including:</b>	<b>123 233</b>	<b>25 646</b>
a) valuation of derivative transactions	62 397	11 247
b) securities	60 837	14 399

Explanation to Item: Liabilities pertaining to hedging instruments	PLN thousand	
	30.06.2017	30.06.2016
Contracts for Hedging Transactions	47 818	18 816
Conclusions of Currency Option Transactions	119 934	26 519
Adjustment pertaining to the amount resulting from the closed transactions settlements with brokers	-5 868	0
<b>TOTAL</b>	<b>161 884</b>	<b>45 335</b>

## Consolidated Financial Report for the 1st half of 2017

Valuation of Derivative Transactions	PLN thousand			
	30.06.2017		30.06.2016	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Commodity Transactions - Zinc	8 561	152 775	7 351	26 270
Commodity Transactions - Lead	793	8 742	1 616	27
Currency Transactions - USD/PLN EUR/PLN	52 739	366	2 280	18 340
Commodity Transactions- Silver	304	0	0	697
<b>Total</b>	<b>62 397</b>	<b>161 883</b>	<b>11 247</b>	<b>45 334</b>

Division of Hedging Instruments	PLN thousand			
	30.06.2017		30.06.2016	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
<b>Hedging Instruments</b>	<b>58 821</b>	<b>157 150</b>	<b>9 336</b>	<b>39 467</b>
Commodity Transactions - zinc	8 321	148 041	6 078	24 725
Commodity Transactions - lead	793	8 743	1 616	27
Currency Transactions - USD/PLN, EUR/PLN	49 403	366	1 642	14 018
Commodity Transactions - Silver	304	0	0	697
<b>Trade Instruments</b>	<b>3 575</b>	<b>4 734</b>	<b>1 911</b>	<b>5 868</b>
Commodity Transactions- zinc	240	4 734	1 273	1 545
Commodity Transactions - lead	0	0	0	0
Currency Transactions - USD/PLN, EUR/PLN	3 335	0	638	4 323
Commodity Transactions - silver	0	0	0	0
<b>Total</b>	<b>62 396</b>	<b>161 884</b>	<b>11 247</b>	<b>45 335</b>

### **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	
	30.06.2017	30.06.2016
Sales of Products Adjustment	-72 701	16 382
Sales of Goods Adjustments	0	0
Revaluation of Investments	10 695	1 602
Gains/Loss on Sale of Investments	6 472	787
<b>Total</b>	<b>-55 534</b>	<b>18 771</b>

## Consolidated Financial Report for the 1st half of 2017

Cash Result from Reconciliation of Derivative Instruments:	PLN thousand	
	30.06.2017	30.06.2016
Commodity Transactions	-75 279	40 436
Currency Transactions	5 043	-12 977
<b>Total</b>	<b>-70 236</b>	<b>27 459</b>

Sales of Products Adjustment Related to Application of Hedging Instruments:	PLN thousand	
	30.06.2017	30.06.2016
Sales Increase	15 341	34 460
Sales Decrease	-88 042	-18 077
<b>TOTAL</b>	<b>-72 701</b>	<b>16 383</b>

Status of Capital from Revaluation Related to Application of Hedge Accounting (excluding Deferred Tax)	PLN thousand	
	30.06.2017	30.06.2016
<b>Valuation of Open Hedging Instruments:</b>	<b>-97 988</b>	<b>-30 193</b>
- Zn	-139 719	-18 830
- Pb	-7 624	1 589
- USD/PLN	49 051	-12 361
- Ag	304	-591
- EUR/PLN	0	0
<b>Result from the Application of Hedging Instruments Capital-Retained until the Realization of the Hedged Item:</b>	<b>0</b>	<b>0</b>
- Zn		0
- Pb	0	0
- USD/PLN		0
<b>TOTAL</b>	<b>-97 988</b>	<b>-30 193</b>

### Other Information

1. In the 1st half of 2016, 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:
  - guarantee of good workmanship concerning the production and assembly of road barriers totaling PLN 19 543 thousand, and guarantee in respect of the blank bill of exchange 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 1 731 thousand.
3. The Issuer does not publish result forecasts.

4. The pending bankruptcy and composition proceedings cover the Group's receivables totalling PLN 4 981 thousand, wherein Stalprodukt's share amounts to PLN 743 thousand and ZGH "Bolesław"'s - PLN 4 238 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 581 772 shares, accounting for 10.43 %-share in capital and 1 097 608 votes, accounting for 9.00 % 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:

- Stanisław Kurnik 2 900 shares of nominal value: PLN 5 800,

- Maria Sierpińska 11 880 shares of nominal value: PLN 23 760,

- Kazimierz Szydłowski 3 462 shares of nominal value: PLN 6 924,

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

Moreover, Piotr Janeczek, through a subsidiary entity STP Investment S.A. holds 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.

## Consolidated Financial Report for the 1st half of 2017

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.

The total value of the Issuer's transactions with associated companies in the period from 01.01.2017 to 30.06.2017 and in the comparable period from 01.01.2016 to 30.06.2016 is presented in the Table below.

Items the 1 <sup>st</sup> half of 2017	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-MB sp. z o.o.	105	1 566	352	1 629
Stalprodukt-Wamech sp. z o.o.	132	1 000	690	3 689
Stalprodukt-Centrostal sp. z o.o.	60 359	311	161 334	543
Stalprodukt-Serwis sp. z o.o.	62	1 217	345	3 699
Stalprodukt-Zamość sp. z o.o.	80	74	385	248
Stalprodukt-Ochrona sp. z o.o.	19	568	106	1 329
STP Elbud sp. z o.o.	316	2 987	1 612	10 167
Cynk-Mal S.A.	9 500	0	14 801	3 378
ZGH „Bolesław” S.A.	0	19	0	165
Anew Institute sp. z o.o.	12	137	12	702

Items the 1 <sup>st</sup> half of 2016	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-MB sp. z o.o.	23	1 397	207	1 291
Stalprodukt-Wamech sp. z o.o.	139	2 280	685	5 572
Stalprodukt-Centrostal sp. z o.o.	64 320	2	161 950	644
Stalprodukt-Serwis sp. z o.o.	62	1 777	345	3 131
Stalprodukt-Zamość sp. z o.o.	78	281	384	708
Stalprodukt-Ochrona sp. z o.o.	22	578	107	1 332
STP Elbud sp. z o.o.	340	3 884	1 634	9 434
Cynk-Mal S.A.	7 405	0	8 499	3 593
ZGH „Bolesław” S.A.	0	10	0	100
Anew Institute sp. z o.o.	0	258	0	210

## Consolidated Financial Report for the 1st half of 2017

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Moreover, in the 1st half of 2017, some transactions were carried out with entities in which the Company holds stakes: Stalnet Sp. z o.o.- sales PLN 23 thousand, costs PLN 162 thousand; receivables PLN 5 thousand, liabilities PLN 33 thousand; Stalprodukt-Profil S.A. sales 7 thousand, receivables 0 thousand. The transactions concerned were carried out according to market rules.

8. In the reporting period the Group made investment outlays on the purchase and formation of tangible fixed assets amounting to PLN 6 6 201 thousand. No significant fixed asset components have been disposed of during the reporting period.
9. 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.
10. On 22 June 2017, the General Meeting of Shareholders adopted a resolution on the disbursement of dividend from the 2016 financial result. The profit amount appropriated for the dividend amounts to PLN 16 740 801.00, which, considering the number of shares: 5 580 267 items, yields PLN 3.00 per share. The dividend record date is fixed on 15 July 2017, and the dividend disbursement date was fixed on 31 July 2017.
11. On 31 July 2017, the Issuer completed the repayment of the credit incurred on 24.03.2016, the purpose of which was to finance the third tranche of the purchase program for the Company's own shares conducted in the years 2015-2016, amounting to PLN 90 000 thousand.
12. On 21 June 2017, the share capital was increased in Anew Institute Sp. z o.o. subsidiary company, which amounted to PLN 615 thousand and was covered in its entirety by the Issuer with a cash contribution.
13. Neither the Issuer nor its Capital Group's entities issued, redeemed or paid any debt or other capital securities, apart from the ones referred to herein.
14. During the reporting period and within the submission of the present quarterly report, neither the Parent Company, nor its subsidiaries, granted any sureties, loans, credits or guaranties, apart from the ones referred to herein.
15. In the Issuer's assessment, the factors likely to affect the Group's results at least in the perspective of the coming quarter, shall be:
  - fluctuations of charge prices and demand for Stalprodukt's products,
  - fluctuations of the LME zinc and lead prices and LBM silver prices ,
  - fluctuations of currency exchange rates.



16. During the reporting period and following 30.06.2017 until the preparation of the Abridged Consolidated Report for the 1<sup>st</sup> half no other important events took place, apart from the ones mentioned herein, which might significantly affect the Group's standing and its financial results. The Issuer does not possess any other information, which, in his opinion, is essential for the assessment and changes in the Group's staffing level, assets structure and financial standing, or information essential for the assessment of its potential capacity to settle the liabilities incurred.
17. Pursuant to par. 83, subpar. 3 of the Regulation of the Minister of Finance as of 19.02.2009 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 2014, item 133 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 Half of 2017”.
18. No additional information was appended to the Abridged Consolidated Financial Report for the 1<sup>st</sup> half of 2017 as, during the reporting period, no other events, concerning the separate report, took place, apart from the ones referred to herein.
19. This Abridged Consolidated Financial Report for the 1<sup>st</sup> half of 2017 was approved for publication by parent Company's Management Board on 29.08.2017.

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

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Józef Ryszka  
Member of the Management Board  
– Marketing Director

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