Semi-Annual Report
on Stalprodukt S.A.
Capital Group's Activities
For the period from 1.01.2017 to 30.06.2017

Bochnia, August 2017

Contents:

1. Capital Group's Structure

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

- **Stalprodukt-Centrostal Kraków sp. z o.o. -** wholesale and retail trade of metal products
- **Stalprodukt-Wamech sp. z o.o. -** production of steel constructions, spare parts and rendering alteration services
- **Stalprodukt-Serwis sp. z o.o. -** alteration services
- **Stalprodukt-Zamość sp. z o.o. -** production of construction woodwork
- **Stalprodukt-MB sp. z o.o. -** road construction and maintenance, erection of road safety barriers
- **STP Elbud sp. z o.o. –** production of steel constructions and galvanizing services
- **Stalprodukt-Ochrona sp. z o.o.** - personal and property security services
- **Cynk-Mal S.A.** - production of galvanized hoop iron and wire
- **ZGH "Bolesław" S.**A. - excavation of non-ferrous metal ores and zinc and lead production
- **Anew Institute sp. z o.o. -** designing renewable energy sources

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

- in ZGH "Bolesław" – 94.58 %
- in other companies – 100 % shares each.

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

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

Pursuant to art. 55 of the Accountancy Act as of 29.09.1994 (consolidated text Journal of Laws as of 2016, item 1047 with subsequent amendments), the Issuer prepares consolidated financial reports in reference to the periods beginning as of 1 January 2005 in accordance with IFRS.

Additionally, in 2017 ZGH "Bolesław" had shareholdings in the following subsidiary companies (in brackets, ZGH' shareholding in share capital of those companies):

- Zinc Smelter - Huta Cynku "Miasteczko Śląskie" S.A. (92.77 %) – production of rectified zinc, lead and cadmium,
- Bol-Therm Sp. z o.o. (100 %) – power supply-, laboratory-, mechanics and construction-related services, transport-equipment and forwarding services, production of dolomite aggregates, zinc products and zinc alloys,
- Gradir Montenegro d.o.o. (99.56 %) – zinc ores mining and concentrate production,
- Agencja Ochrony Osób i Mienia "Karo" Sp. z o.o. (100 %) – bodyguard and property security services,
- F&R Finanse Sp. z o.o. (19.68 %) - financial services and financial advisory.

Furtermore, Boltech company had 99.71 % in share capital of Przedsiębiorstwo Robót Drogowych Olkusz Sp. z o.o.

2. Assessment of Economic and Financial Standing

In the first half of 2017, the return on sales (ROS) was recorded as follows on particular levels:

Itemization	1st half of 2016	1st half of 2017
Return on sales	15.2	10.7
Operating margin	14.5	11.1
Gross margin	15.7	10.8
Net margin	12.7	8.7

The recorded values of return on assets (ROA) and return on equity (ROE) were as presented below:

Itemization	1st half of 2016	1st half of 2017
Return on assets	5.6	3.8
Return on equity	9.8	6.7

The recorded values of financial liquidity, calculated according to the static approach, were as presented below:

Itemization	1st half of 2016	1st half of 2017
Current ratio	2.2	2.0
Quick ratio	1.3	1.2

In the 1st half of 2017, compared to the analogical period of 2016, the Stalprodukt S.A. Capital Group achieved the increase of sales by PLN 204 305 thousand, i.e. by 13.70 %. Despite the increase of the sales and achievement of very good consolidated results, the Group did not improve its results over the ones achieved in the 1st half of 2016. This was, primarily, caused by the worsening of the Electrical Sheets Segment's and Profiles Segment's results accompanied by very good Zinc Segment's results. At the operating profit level the achieved result amounted to PLN 188 829 thousand against PLN 216 779 thousand achieved in the analogical period of 2016. This means that the result decreased by PLN 27 950 thousand, i.e by 12.9 %. As a consequence, a lower net profit was recorded in relation to the 1st half of 2016, amounting PLN 150 231 thousand (PLN 189 238 thousand in 2016). In effect profitability ratios decreased at all levels.

The financial standing of the Stalprodukt Group is good and stable. This is indicated by the basic economic and financial ratios characterizing the economic activities, whose levels correspond to the present market conditions. The Group is not affected by payment backlogs consistently pursuing its adopted risk management policy. Both the Issuer and the majority of the subsidiary companies in the Capital Group enjoy financial liquidity and credit capacity.

Compared to 31.12.2016, some slight changes took place in the volume of the assets and their financing sources. The assets value increased by 5.6 %. At the same time the current assets increased by 13.0 %. The equity increased by PLN 254 663 thousand, i.e. by 13.1 %. The liabilities and provisions for liabilities decreased by PLN 44 201 thousand, i.e. by 2.5 %.

Compared to 31.12.2016 an increase of the book value per share took place from PLN 347.07 to PLN 392.71.

During the entire reporting period the Group enjoyed very good financial liquidity, which is confirmed by the liquidity ratios maintained at high levels, the Group punctually settled all its liabilities, both in respect of the employees and suppliers, as well as towards the state budget and financial institutions.

In the assessment of the financing banks, the Stalprodukt Capital Group is continuously enjoying credit capacity which allows the Group to obtain multi-form financing for its activities. All the credit lines, which were precisely described in the last Consolidated Financial Report for 2016, are still functioning and are extended by the banks in due time. Most of these credit lines are used as limits for guarantees and letters of credit, and for overdrafts in current accounts. They, additionally, secure the Group's internal financing sources.

In order to maintain the good financial and liquidity standing, further restructuring undertakings are being carried out in respect of the Company's activities, aimed at the improved management of inventories and reduction of costs as well as expansion to new supply and sales markets.

3. Sales of Basic Products

3.1 Electrical Sheets Segment

In the 1st half of 2017, the Electrical Sheets Segment's total sales amounted to PLN 265.2 million and was by 13.4 % lower than in the analogical period of 2016.

Transformer Sheets and Strips

In the 1st half of 2017 the sales of transformer sheets and strips amounted to PLN 259.4 million, which accounts for a decrease by 13.7 % compared to the analogical period of 2016, combined with the concurrent increase of the sales volumes by 5.5 %. The main factor affecting the decrease of the sales of sheets was the 18-per cent decrease of their prices.

The sales structure did not change and the domestic sales still account for 6%, and exports for 94% of the total sales. The Company estimates its share in the transformer sheets market as approximately 23%.

In the 1st half of 2017, the following countries were among the main export directions (over 5%) for transformer sheets: Indies (approx. 17 % of export sales value), Austria (approx.16 %) Italy (12 %), Mexico (11 %), Germany (approx. 10 %), Hungary (6 %) and Croatia (approx. 6 %).

Market environment

In the 1st half of 2017 the electrical sheets market was arduously working to regain its position. After an over annual stagnation and price decrease period, starting from January, the market conditions have started to improve for the transformer sheets producers. The first bounce-back signal came from China, where during the initial two months of the year the Baosteel company raised the electrical sheet prices by CNY 1150 (USD 167). Another stimulus were the price increases on the US market, where the AK Steel company raised the level of their extra surcharges to transformer sheets by USD 185 over a short time.

A chance for new higher prices appeared in March when the Indian company Bharat Heavy Chemicals (BHEL) issued a call for tenders regarding a delivery of 25 000 tons of electrical grain-oriented (GO) ready-made sheets. Such a substantial tender procedure was an opportunity for many producers to offer their materials at prices higher than the present ones. Suppliers expected that in the tender procedure they would be able to negotiate prices exceeding the previous year's ones by a few hundred dollars, thank to which such prices would become a good benchmark to negotiate further supplies in the second half of the year. Eventually, the Korean manufacturer Posco, which offered the price increase by 300 USD/ton in relation to the previous contract, won the supplies for the main grades in the tender procedure. However, it should be remembered that the prices on the Indian market were by approx. by 200 USD/ton lower than on other markets.

On the European market the take-over of the Tata Steel Group by the Thyssen Krupp concern, incorporating a transformer sheets production plant, has still not been finalized. According to the most recent information, the definitive finalization is to take place in September this year after two years of negotiations.

Toroidal cores

In the 1st half of 2017, the toroidal cores sales value amounted to PLN 5,8 million, which accounts for an increase by 3.1 over the first half of 2016, considering an almost 2-percent decrease of sales volumes.

The greater sales value was possible thanks to the greater demand for higher quality products (toroidal cores made of higher grade steel, which stands for a higher profit margin) and additional processing stage (impregnation, coating, cutting) as well as acquisition of new customers both for the wound toroidal cores and for the rectangular ones.

The present sales structure is: 45% - domestic sales, 55 % - exports.

The domestic sales recorded better results than exports. The domestic sales were subject to a 12-percent value increase with a 3-percent increase of the sold volumes. The increase was achieved through the sales of products characterized with a higher degree of processing.

The export sales results were close to the ones achieved in the 1st half of 2016.

<u>Market environment</u>

The competitive conditions are very hard on the toroidal cores market. Recipients have access to cheap finished products from China, Turkey, Italy, Spain and the Chech Republic. More and more small and bigger core producers have an opportunity to buy cheap steel sheets (lowest grades, coil ends). Additionally, almost all transformer producers manufacture their own cores apart from buying the ready-made ones.

3.2 Profiles Segment

In the 1st half of 2017, the Profiles Segments' total sales amounted to PLN 359.9 million and was by 11.2 % higher, than in the analogical period of 2016.

- **Cold formed profiles**

In the 1st half of 2017, the Stalprodukt Group achieved the sales of cold formed profiles and tubes amounting to PLN 281.2 million, which accounts for an increase by 6.6 % over the 1st half of 2016, with the concurrent decrease of the sales volumes by 20.1 %. Despite the volume decrease, a significant increase of the prices resulted in the several-percent increase of the sales value over the 1st half of 2016.

The sales structure was changed in favor of the export sales. At present, the domestic sales account for 68 % of the total sales while the exports - for 32% (in the 1st half of 2016 these proportions were, respectively: 76:24).

Sales to commercial companies

The domestic sales made by the distribution network accounted for 74% of the total domestic sales.

<u>Market environment</u>

In the 1st quarter of 2017, the EU steel tubes production increased by 10 % compared to the analogical period of 2016.

The differentiation of the upward trends in particular countries was significant. The production output in Spain increased by 40 %, in Germany by 35 %; the production output in Sweden, the Czech Republic, Hungary and Slovakia also recorded a two-digit increase. However, the production output abruptly decreased in France and in Poland. Yet, the business conditions were generally favorable from the beginning of the year.

Big projects of the Nord Stream 2 type were intensively developed. The increase of demand had a positive impact on order portfolios of the EU tubes manufacturers. The improvements in respect the crude oil and natural gas drilling and exploring activities had a positive impact on the demand for large-sized tubes.

Eurofer ascertains that the demand for small-sized welded tubes has also been satisfactory during the last two months. The demand for structural tubes was supported by the strong intensification of construction industry activities in the 1st quarter of the year. These days the hot rolled girders and sections used in steel structures are more and more often replaced by cold formed profiles.

The prospects for the tubes sector are favorable for the rest of 2017. A few big manufacturers of closed profiles gained orders for large-sized tubes, securing their activities until the end of the year. The demand for large-sized industrial tubes is not weakening and is maintained at a high level. It is expected that the demand in the key sectors grouping the customers for small-sized welded tubes will also yield good results. All in all, the expected increase of tubes production output will reach 5.3% in 2017.

In the Company's immediate environment, i.e. on the domestic market, the tubes sector companies are expecting improvement. This is confirmed by the revived demand in the power sector, investments into the development of transmission infrastructure, as well as improved condition of the construction industry. The condition of steel industry has not been too favorable for the market participants for a couple of years already, however, throughout 2016 the trends were gradually improving in this segment. Thus, the year 2017 started with moderate optimism, thanks to which another revival is expected on the steel tubes market.

- **Road safety barriers**

In the 1st half of 2017, the sales of road barriers amounted to PLN 41.8 million and were by almost 40% higher than the ones achieved in the 1st half of 2016. The increase of the sales volumes in this period also was also significant and reached 22.5 %, accompanied by the almost 14-percent increase of the prices.

At present, the export sales account for 21%, and the domestic sales for 79% (in the analogical period of 2016 these shares reached, respectively, 42% and 58%).

The decrease of exports results from the investment cycle on the markets where Stalprodukt is present. This is mostly true about the Danish and Slovakian markets, on which a few big road projects were completed in the previous year and some new ones have only started in 2017.

In the 1st half of the current year, the domestic sales' level was subject to a significant increase. The achievement of the above referenced results is connected with the implementation of a few road and bridge projects. During the 1st half of the year the construction works were intensively carried out at the following sites: S5 (section Gniezno – Mielno), S7 (Christo Botewa, Jędrzejów – małopolskie voivodship), S19 (Sokołów Małopolski – Stobierna), Gorzów Wielkopolski by-pass and Ostrów Wielkopolski by-pass.

Additionally, in the 1st quarter of the current year, materials were produced, stored in the warehouse and invoiced within the framework of a few road contracts, whose implementation falls in the years 2017 – 2018. In the 2nd half of the year, the sales level will mainly be dependent on the dates on which access to construction sites will be given by the general contractors. The achievement of the planned domestic sales will be possible only if general contractors punctually stick to their work schedules.

Market environment

The present portfolio of orders accepted for fulfillment for the years 2017 – 2018 has reached the level of about 22 thousand tons. The perspective connected with the number of projects to be carried out in the years 2017 – 2018 is very promising. Due to a very long cycle of materials approval and optimization of barrier designs, general contractors choose their barrier suppliers a year or a year and a half before the investment project is completed. The uncertainty about the level of steel prices over such a long period related, in particular, to the antidumping proceedings regarding the duties to be imposed on the steel sheets to be imported from the outside of the EU, entails the necessity to undertake security measures and store large quantities of materials. At the same time, a growing pressure from the increase of labor costs incurred by the subcontractors, on whose services the Company relies while implementing contracts for general contractors, is increasingly felt.

- **Products from steel service centers**

In the initial six months of 2017, the sales of the products offered by steel service centers amounted to PLN 36.9 million (increase by 23.7 %), with the accompanying decrease of the sales volumes at the level of 14.8 % in relation to the analogical period of 2016.

The sales were mainly directed to the domestic market (81% of total sales).

Market environment

The previous year's increase of steel prices contributed to the improvement of steel service centers' condition. The branch representatives are expecting further market stabilization in 2017. Despite the revival, due to their overcapacities, companies carefully tackle their investment plans.
The market is dominated by the belief that in 2017, steel service centers will rather focus on reconstruction and supplementary projects, mainly because of the existing overcapacity. According to the industry experts, the current level of production capacity utilization by the steel service centers can be estimated at 60 - 80 per cent. The companies which previously took decisions on development or modernization of particular processes will probably complete the same. However, new spectacular investments should not be expected. Due to unutilized production capacities, steel service centers have to compete more fiercely to get customers, which results in lower margins.

Local European producers, fighting for their interests, want to reduce the imports to the EU from a few countries. They believe that imported steel is launched on the market at dumping prices. The uncertainty will prevail until October when the European Union will make the ultimate decision on the introduction of duties for the hot rolled steel from Brazil, Iran, Russia, Serbia and the Ukraine. Higher duties will stand for higher prices.

3.3. Zinc Segment

In the 1st half of 2017, the Zinc Segment's net sales amounted to 970.2 million and in relation to the comparable period of the previous year the same increased by 28%. The increase of the sales in the 1st half of 2017 has resulted from the significant increase of LME metal prices accompanied by the USD exchange rate maintained at the similar level.

The LME basic reference price of zinc, converted to PLN, increased by 51%, from PLN 7 039 in the 1st half of 2016 to PLN 10 640 in the current period. Over 85% of the turnover generated by ZGH and its subsidiary companies is dependent on the price of zinc.

The LME basic reference price of lead, converted to PLN, increased by 30% from PLN 6 778 in the 1st half of 2016 to PLN 8 782 in the current period. About 9% of the turnover generated by ZGH and its subsidiary companies is dependent on the price of lead.

The LBM basic reference price of silver increased by 10 % from PLN 61.9 per ounce in the 1st half of 2016 to PLN 68.4 per ounce in the current period. About 2% of the turnover generated by ZGH and its subsidiary companies is dependent on the price of silver.

In the 1st half of 2017, the zinc products sales volume was comparable to the analogical period of the previous year. In the 1st half of 2017 the volume of the zinc products sold was not subject to any change in relation to the analogical period of 2016.

In the 1st half of 2017, the refined lead sales volume increased by 5% (whereas the lead concentrates sales volume decreased by 20%).

In the 1st half of 2017, the silver sales volume stayed at the same level as in 2016.

4. Basic threats and risks connected with the remaining months of the reporting year

4.1. Domestic and EU market conditions

In 2017, Polish economy is developing at a very good pace – the GDP growth rate reached 4.0 % in the 1st quarter and 3.9 % in the 2nd quarter of the current year. The good economic condition is accompanied by the decrease of unemployment rate to a record-low level (7.1 %). Also the budget surplus after the initial six months of the current year, amounting to PLN 6 billion, is a positive signal.
Also the entire EU economy has been developing at a good pace. In the 1st half of 2017, the EU GDP growth rate was higher than in the previous year and reached 2.1 % in the 1st quarter and 2.3 % in the 2nd quarter. For comparison: in the previous year the figures were, respectively, 1.9 % and 2.1 %.

4.2. Steel industry market condition and market environment

In the 1st quarter of 2017, the EU production output in the steel-utilizing sectors increased by 5.8% year-to-year, clearly exceeding the earlier expectations as to the moderate growth of activities. To a certain degree, the growth rate concerned seems to be higher due to the very poor reference period, i.e. the activity level in the 1st quarter of 2016.

At the level of particular countries, in particular Germany, Sweden, Holland and Poland recorded a stronger than average productive activity level in the steel-utilizing sectors. While all the sectors achieved a significant improvement compared to the same period in 2016, the steel tubes sector showed the highest increase thanks to the strong activity of pipeline projects. Also the production output in motorisation and construction industry was growing faster than expected.

The EU steel consumption increase in the 1st quarter of 2017 was positively surprising. The end user consumption increased by 4.1% year-to-year, in a direct relation to the production output increase in the steel-utilizing sectors. The especially good results in the steel tubes, construction and motor industry sectors influenced the ultimate increase of demand for steel products, whereas the general positive trend in the remaining steel-utilizing sectors, such as: mechanical construction, household appliances and metal products significantly supported the increase of the real steel consumption.

The total steel imports – including semi-products – from third countries to the EU increased by 7% year-to-year during the initial five months of 2017. After dividing the flat steel products into the flat and long ones, the imports of flat products recorded a 10-percent increase during the initial five months of the current year while the imports of long products recorded an 8%-decrease.

EUROFER forecasts that the total production output in the steel-utilizing sectors will increase in 2017 by 3.5%. As far as the real steel consumption is concerned, its increase is forecast to continue in the EU, although the annual output measured on a quarterly basis will gradually be slowing down to reach a more balanced growth rate. The total EU real steel consumption is supposed to increase by 2.4% this year.

4.2.1. Electrical Sheets Segment

The condition of the EU transformer sheets market is dependent on the definitive anti-dumping duties introduced by the European Commission in respect of the sheet steel imports from China, Japan, Korea, Russia and the USA. However, these solutions, and the minimum prices mechanism in particular, did not stop the decrease of prices, noticeable throughout the previous year on the EU market.

At present, the negative trends reversal and increase of prices can be observed on the transformer sheets market. It's true that the level of the 2nd quarter was still diverging from the previous year's prices, yet the price increases introduced by the sheet steel producers should level out these disproportions. Taking the above into account as well as the expected slightly higher volumes in relation to 2016, one can expect some improvement in respect of the achieved margins, and thus better efficiency of the Electrical Sheets Segment in the 2nd half of 2017.

4.2.2. Profiles Segment

The products of the Profiles Segment are subject to an enormous price pressure from the domestic competition and imports (this is mainly concerned with such product groups as profiles and products of steel service centers). The competition in these product groups is subject to further sharpening and the competing conditions are becoming increasingly difficult. The potential decision on imposing anti-dumping duties on hot rolled products, especially from Russia and the Ukraine, will have a significant impact on the Company's competitive position.

In spite of this all, the current condition of the supply market is still advantageous. In spite of the hot rolled products prices decreasing in the 2nd quarter of 2017, their present level, especially when compared to 2016, is relatively high, which allows for the introduction of price increases in respect of the finished products (profiles, barriers and products of steel service centers), and, thus, for the improvement of the Stalprodukt Group's profit margins in these product groups.

- **Charge material market condition**

European steel producers, fighting for their interests, undertake actions aimed at the EU market protection against the excessive imports of steel, as they believe that is is launched on the market at dumping prices. This is also concerned with the imports of hot rolled steel sheets, which constitute basic charge material for Stalprodukt. On 7 July 2016, the European Commission instituted the anti-dumping proceedings concerning the imports of these products from Brazil, Iran, Russia, Serbia and the Ukraine. The definitive decision on the issue concerned will be taken this October. The potential imposing of the duties will stand for higher prices for the imported products, which will limit the competitiveness of the producers from the outside of the EU, and will limit the EU processing plants' access to supply materials. What is important, the market for finished products, such as the profiles and tubes produced by Stalprodukt, is not protected against imports.

4.3 Level of zinc and lead exchange market prices

The Zinc Segment's results are closely connected with the exchange market prices of such metals as: zinc, lead or silver. The Group has no influence on the fluctuation of these prices because they are dependent on many external factors. At the same time, it should be stressed that the potential negative impact of stock market prices is partly levelled by the maintained high USD exchange rate and the ZGH Group's actively pursued hedging policy.

Since the beginning of 2017 good market conditions have been maintained for zinc, which results in long-term maximum price levels for this material (in excess of 3,000 USD/ton in the 3rd quarter of 2017). In the 1st half of 2017, the average zinc LME price increased to the level of 2,690 USD/ton from 1,799 USD/ton in the 1st half of 2016, i.e. by almost 50 %. The increase of the average zinc LME price in this period, though lower, still was significant and reached 28.3 %, to the level of 2,221 USD/ton.

The above referenced conditions and good prospects for the 2nd half of 2017, as well as the maximum utilization of the production capacity in respect of zinc products will definitely have a positive effect on the results of this operating segment and this of the entire Stalprodukt Group.

5. Other Information

5.1. Changes in the Group's Structure

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.

Stalprodukt is consistently continuing the process of buyback of the ZGH "Bolesław" employee shares. In effect, as of 30.06.2017 r. Stalprodukt's share in the above mentioned Company's share capital increased up to 94.58 % (compared to 94.48 % at the end of June 2016).

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

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

5.3. Listing of Shareholders, Entitled Directly or Indirectly Through Subsidiaries, To At Least 5% of the General Number of Votes at the General Meeting of Shareholders

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

- STP Investment S.A. holding 1 829 319 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,

b) Shareholders entitled indirectly to at least 5% of the general number of votes at the General Meeting of Shareholders

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.

Moreover, on 30 June 2016 an agreement was concluded concerning the purchase of Stalprodukt's own shares and consensual voting at the Company's General Meetings as well as pursuing a common policy in respect of the Company. The Shareholders who concluded this agreement are:

The above referenced agreement, was concluded by the following persons and entities:

- STP Investment S.A. holding 1 829 319 shares, accounting for 5 875 691 votes at the General Meeting of Shareholders,
- Stalprodukt Profil S.A. holding 581 772 shares, accounting for 1 097 608 votes at the General Meeting of Shareholders,
- Stalnet Sp. z o.o. holding 169 565 shares, accounting for 417 573 votes at the General Meeting of Shareholders,
- Piotr Janeczek holding 115 053 shares, accounting for 574 913 votes at the General Meeting of Shareholders,

As of 31.12.2017, the shareholders, who concluded the agreement, jointly held 2 695 709 shares, accounting for 48.31 % of their capital share and 7 965 785 votes, accounting for 65.30 % of the total number of votes at the General Meeting of Shareholders.

5.4. Zestawienie stanu posiadania akcji Stalproduktu przez osoby zarządzające i nadzorujące oraz zmiany w stanie posiadania, jakie nastąpiły w okresie od przekazania poprzedniego raportu kwartalnego

a) Managerial Officers

Name and surname	Updated number of shares of Stalprodukt S.A. (as of 30.06.2017)	Number of previously held shares of Stalprodukt S.A. (as of 31.03.2017)	Changes in the Issuer's Ownership Structure
Piotr Janeczek	115 053	115 053	Did not occur
Józef Ryszka	504	504	Did not occur
Łukasz Mentel *	100	100	Did not occur

* Łukasz Mentel was appointed as a new Member of the Management Board of Stalprodukt S.A. on 28 July 2016 (Current Report No 29/2016).

b) Supervisory Officers

Name and surname	Updated number of shares of Stalprodukt S.A. (as of 30.06.2017)	Number of previously held shares of Stalprodukt S.A. (as of 31.03.2017)	Changes in the Issuer's Ownership Structure
Stanisław Kurnik	2 900	2 900	Did not occur
Maria Sierpińska	11 880	11 880	Did not occur
Kazimierz Szydłowski	3 462	3 462	Did not occur
Janusz Bodek	61 974	61 974	Did not occur

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

5.5. Listing of Proceedings Pending in Court, Arbitration Tribunal or Public Administration Agency

The Group is not a party to any pending court proceedings, the object of which are liabilities or receivables of the Parent Company or any subsidiary company thereof, of value amounting to at least 10 % the Parent Company's equity.

5.6. Transactions with Associated Companies

The transactions with associated companies in the 1st half of 2017 are concerned with:

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

These are typical and routine transactions, rendered on a continuous basis, concluded according to market conditions, within the Capital Group and resulting from the on-going operating activities.

No other material transactions with associated companies took place in the reporting period.

5.7. Information on Granted and Obtained Loans, Sureties and Guarantees

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

5.8. Other Information Essential for the Assessment of the Staffing, Property and Financial Standing, Financial Result and Changes Thereof and Essential for the Assessment of the Group's Capacity to Settle Liabilities

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

5.9. Factors Likely To Affect the Group's Results In the Perspective of At Least the Coming Quarter

In the Issuer's assessment, the factors likely to affect the Group's results in the perspective of, at least, the coming quarter shall be:

- fluctuating transformer sheets price levels,
- fluctuating charge material prices,
- fluctuating prices and demand for the Company's products, especially in the profiles segment,
- exchange market metal price levels, in respect of such metals as zinc and lead,
- fluctuating currency exchange rates,
- global and European economic conditions.

5.10. Composition of Management Board's and Supervisory Board

<u>Management Board Composition</u>

In the period from 1 January 2017 to 30 June 2017, the Stalprodukt Management Board was composed of:

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

<u>Supervisory Board Composition</u>

In the period from 1 January 2017 to 30 June 2017, the Stalprodukt Supervisory Board was composed of:

Stanisław Kurnik	- Chairman of the Supervisory Board
Maria Sierpińska	- Vice-Chairman of the Supervisory Board
Kazimierz Szydłowski	- Secretary
Janusz Bodek	- Member
Magdalena Janeczek	- Member
Sanjay Samaddar	- Member
Tomasz Plaskura	- Member

The present Report on the Activities of the Stalprodukt S.A. Capital Group was approved for publication by the parent company's Management Board on 29.08.2017.

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Łukasz Mentel
Member of the Management Board
– Financial Director

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Józef Ryszka
Member of the Management Board
– Marketing Director

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Piotr Janeczek
President of the Management Board – CEO