The Stalprodukt S.A. Capital Group

Consolidated Financial Report for the 1st half of 2018

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

Bochnia, April 2018

Contents:

Selected Financial Data

SELECTED FINANCIAL DATA	thousand x PLN		thousand x EUR	
	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018	1st half 2017 increasingly for the period from 01-01-2017 to 30-06-2017	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018	1st half 2017 increasingly for the period from 01-01-2017 to 30-06-2017
I. Net sales of products, goods and materials	1 970 278	1 695 248	464 743	399 126
II. Operating profit (loss)	193 076	188 829	45 542	44 458
III. Profit (loss) before taxation	214 987	183 743	50 710	43 260
IV. Net profit (loss)	178 434	150 231	42 088	35 370
- attributable to shareholders of the parent company	169 975	138 939	40 093	32 712
- net profit attributed to non-controlling interests	8 459	11 292	1 995	2 658
V. Net cash flow from operating activities	153 660	99 080	36 245	23 327
VI. Net cash flow from investment activities	-240 538	-100 255	-56 738	-23 604
VII. Net cash flow from financial activities	144 037	70 650	33 975	16 634
VIII. Total net cash flow	57 159	69 475	13 482	16 357
IX. Total assets	4 405 338	3 937 757	1 010 028	944 102
X. Liabilities and provisions for liabilities	1 913 377	1 702 089	438 687	408 087
XI. Long-term liabilities	452 174	485 665	103 672	116 441
XII. Short-term liabilities	1 078 531	884 641	247 279	212 098
XIII. Shareholders' equity	2 491 961	2 235 668	571 341	536 016
- equity attributable to shareholders of the parent company	2 394 267	2 145 299	548 942	514 349
- equity attributed to non-controlling interests	97 694	90 369	22 399	21 667
XIV. Share capital	11 161	11 161	2 559	2 641
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)	31,98	26,92	7,54	6,34
XVII. Diluted profit (loss) per ordinary share (PLN)				
XVIII. Book value per share (PLN)	446,57	400,72	102,39	96,08
XIX. Diluted book value per share (PLN)				
XX. Declared or paid-out dividend for one share in (PLN/EUR)	3,00	3,00	0,71	0,71

1. Comparable financial data (item IX-XIV and XVI) was presented pursuant to the requirements of the International Financial Reporting Standards according to the balance for this 31st December 2017. Other comparable data is presented for the period from 1st January 2017 to 30th June 2017.
2. 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 30th June 2018 and amounting to PLN 4.3616 and PLN 4.1709 for this 31st December 2017.
   - 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 4.2395 for 1st half 2018 and PLN 4.2474 for 1st half of 2017.
3. For profit-per-share calculation the number of 5,580,267 shares was adopted.

Abridged Consolidated Financial Report for 1st half of 2018

Consolidated balance sheet for 30.06.2018

CONSOLIDATED BALANCE SHEET	thousand x PLN		Retrospectively	Retrospectively
	30.06.2018	31.12.2017	31.12.2017	01.01.2017
Assets				
I. Fixed assets	**2 178 427**	**2 035 926**	**2 035 926**	**2 049 396**
1. Intangible fixed assets, including:	148 313	141 505	141 505	135 157
- right of perpetual land use	81 745	82 000	82 000	81 968
2. Tangible fixed assets	1 905 989	1 768 000	1 768 000	1 775 628
3. Long-term receivables	618	536	536	686
4. Long-term investments	45 386	48 278	48 278	46 029
4.1. Real estate	3 135	3 296	3 296	3 838
4.2. Intangible assets				
4.3. Long-term financial assets	42 251	44 982	44 982	42 191
4.5. Other long-term investments				
5. Long-term prepayments	78 121	77 607	77 607	91 896
5.1. Deferred income tax assets	60 937	61 380	61 380	76 906
5.2. Other prepayments	17 184	16 227	16 227	14 990
II. Current assets	**2 226 911**	**1 901 831**	**1 902 008**	**1 669 068**
1. Inventories	790 721	643 461	643 638	604 075
2. Short-term receivables	660 407	564 888	564 888	587 551
3. Short-term investments	732 010	666 844	666 844	451 574
3.1. Short-term financial assets	623 803	618 875	618 875	352 365
a) loans	30 000	50 000	50 000	40 000
b) short-term securities	38 607	70 838	70 838	26 186
c) cash and cash equivalents	555 196	498 037	498 037	286 179
3.2. Other short-term investments	108 207	47 969	47 969	99 209
4. Short-term prepayments	43 773	26 638	26 638	25 868
Total assets	**4 405 338**	**3 937 757**	**3 937 934**	**3 718 464**
Liabilities				
I. Shareholders' equity	**2 491 961**	**2 235 668**	**2 235 845**	**1 936 247**
1. Equity attributable to shareholders of the parent company	2 394 267	2 145 299	2 145 476	1 855 675
1.1. Share capital	11 161	11 161	11 161	11 161
1.2. Own shares (stocks) (negative value)				
1.3. Reserve capital	528 357	490 963	490 963	383 479
1.4. Reserve capital from revaluation	-33 855	-126 978	-126 978	-169 860
1.5. Other reserve capital	1 562 114	1 477 155	1 477 155	1 376 022
1.6. Retained earnings (losses)	156 515	38 546	38 546	254 873

1.7. Net profit (loss)	169 975	254 452	254 629	
2. Capital non-controlling interests	97 694	90 369	90 369	80 572
II. Liabilities and provisions for liabilities	**1 913 377**	**1 702 089**	**1 702 089**	**1 782 217**
1. Provisions for liabilities	356 590	313 769	313 769	325 810
1.1. Provision for deferred income tax	94 316	90 029	90 029	81 471
1.2. Other provisions	262 274	223 740	223 740	244 339
a) long-term	197 204	158 569	158 569	149 033
b) short-term	65 070	65 171	65 171	95 306
2. Long-term liabilities	452 174	485 665	485 665	502 156
2.1. Long-term credits and loans	96 643	101 738	101 738	102 640
2.2. Other long-term liabilities	59 416	87 812	87 812	103 401
2.3. Contingent liabilities due to the purchase of ZGH	296 115	296 115	296 115	296 115
3. Short-term liabilities	1 078 531	884 641	884 641	937 956
3.1. Short-term credits and loans	396 314	235 294	235 294	229 176
3.2. Current part of long-term credits and loans				25 000
3.3. Trade liabilities	379 300	311 884	311 884	336 852
3.4. Income tax liabilities	16 598	20 809	20 809	31 165
3.5. Other short-term liabilities	286 319	316 654	316 654	315 763
4. Accruals	26 082	18 014	18 014	16 295
Total liabilities	**4 405 338**	**3 937 757**	**3 937 934**	**3 718 464**
Book value	2 491 961	2 235 668	2 235 845	1 936 247
Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
Book value per share (PLN)	446,57	400,64	400,67	346,98

Consolidated profit and loss account for the period 01.01.2018 -30.06.2018

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the period	thousand x PLN		Retrospectively
	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018	1st half 2017 increasingly for the period from 01-01-2017 to 30-06-2017	1st half 2017 increasingly for the period from 01-01-2017 to 30-06-2017
I. Net sales of products, goods and materials, including:	**1 970 278**	**1 695 248**	**1 695 248**
1. Net sales of products	1 903 194	1 643 414	1 643 414
2. Net sales of goods and materials	67 084	51 834	51 834
II. Costs of products, merchandise and materials sold, including:	**1 666 139**	**1 411 615**	**1 412 384**
1. Production cost of products sold	1 606 559	1 364 759	1 365 528
2. Value of goods and materials sold	59 580	46 856	46 856
III. Gross profit (loss) on sales	**304 139**	**283 633**	**282 864**
IV. Selling costs	32 894	33 846	33 846
V. General and administrative costs	74 005	67 953	67 953
VI. Profit (loss) on sales	**197 240**	**181 834**	**181 065**
VII. Other operating incomes	12 149	14 424	14 424
VIII. Other operating costs	16 313	7 429	7 429
IX. Operating profit (loss)	**193 076**	**188 829**	**188 060**
X. Financial incomes	36 503	20 547	20 547
- including: profit from the bargain purchase of GO STEEL	19 749		
XI. Financial costs	14 592	25 633	25 633
XII. Profit from shares in associated entities			
XIII. Profit (loss) before taxation	**214 987**	**183 743**	**182 974**
XIV. Income tax	36 553	33 512	33 512
XV. Net profit (loss)	**178 434**	**150 231**	**149 462**
1. Attributable to shareholders of the parent company	169 975	138 939	138 170
2. Attributed to non-controlling interests	8 459	11 292	11 292
Profit (loss) net	178 434	150 231	149 462
Weighted average number of ordinary shares	5 580 267	5 580 267	5 580 267
Profit (loss) for one ordinary share (in PLN)	31,98	26,92	26,78

Total comprehensive consolidated income for the period 01.01.2018-30.06.2018

Total comprehensive consolidated income	thousand x PLN		Retrospectively
	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018	1st half 2017 increasingly for the period from 01-01-2017 to 30-06-2017	1st half 2017 increasingly for the period from 01-01-2017 to 30-06-2017
Net result	178 434	150 231	149 462
Valuation differences			
The effective part of the cash flow hedging in accordance with IFRS 9	93 123		
Total Comprehensive Income	**271 557**	**150 231**	**149 462**
Total comprehensive income attributable to the parent company shareholders	258 367	138 939	138 170
Total comprehensive income attributed to non-controlling interests	13 190	11 292	11 292

Statement of changes in consolidated equity for the period 01.01.2018 – 30.06.2018

Statement of changes in equity for the period from 1st January to 30th June 2018 and 2017	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
Balance on this 1.01.2018 (opening balance)	**11 161**	**490 963**	**-126 978**	**1 477 155**	**292 998**		**90 369**	**2 235 668**
Profit distribution		54 665		81 522	-136 187			**0**
Valuation of hedging transactions			93 123					**93 123**
Intercapital and consolidation transfer		-17 271		3 437	16 444		-1 134	**1 476**
Dividend					-16 740			**-16 740**
Redemption of own shares								
Total comprehensive income for period 1.01 - 30.06.2018						169 975	8 459	**178 434**
Balance on this 30.06.2018 (closing balance)	**11 161**	**528 357**	**-33 855**	**1 562 114**	**156 515**	**169 975**	**97 694**	**2 491 961**
Balance on this 1.01.2017 (opening balance)	**11 161**	**383 479**	**-169 860**	**1 376 022**	**255 380**		**80 572**	**1 936 754**
Profit distribution		96 487		97 099	-193 586			**0**
Valuation of hedging transactions			128 073					**128 073**
Intercapital and consolidation transfer		12 224	-9 355		998		-5 334	**-1 467**
Dividend					-22 174			**-22 174**
Redemption of own shares								
Total comprehensive income for period 1.01 - 30.06.2017						138 939	11 292	**150 231**
Balance on this 30.06.2017 (closing balance)	**11 161**	**492 190**	**-51 142**	**1 473 121**	**40 618**	**138 939**	**86 530**	**2 191 417**

Balance on this 1.01.2017 (opening balance) Retrospectively	**11 161**	**383 479**	**-169 860**	**1 376 022**	**254 873**		**80 572**	**1 936 247**
Profit distribution		96 487		97 099	-193 586			**0**
Valuation of hedging transactions			128 073					**128 073**
Intercapital and consolidation transfer		12 224	-9 355		998		-5 334	**-1 467**
Dividend					-22 174			**-22 174**
Redemption of own shares								
Total comprehensive income for period 1.01-30.06.2017						138 170	11 292	**149 462**
Balance on this 30.06.2017 (closing balance) Retrospectively	**11 161**	**492 190**	**-51 142**	**1 473 121**	**40 111**	**138 170**	**86 530**	**2 190 141**

Consolidated cash flow account for the period 01.01.2018-30.06.2018

CONSOLIDATED CASH FLOW ACCOUNT for the period	thousand x PLN		Retrospectively
	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018	1st half 2017 increasingly for the period from 01-01-2017 to 30-06-2017	1st half 2017 increasingly for the period from 01-01-2017 to 30-06-2017
A. Cash flow from operational activity - indirect method	**153 660**	**99 080**	**99 080**
I. Net profit (loss)	178 434	150 231	149 462
II. Total adjustments	-24 774	-51 151	-50 382
1. Net profit share of entities – valuation with equity method			
2. Depreciation	71 415	68 936	68 936
3. (Profit) loss from exchange rate fluctuations	-479	24	24
4. Interest and profit share (dividends)	2 575	4 712	4 712
5. (Profit) loss on investment activities	1 745	-6 163	-6 163
6. Change in reserves	9 462	-14 654	-14 654
7. Change in inventories	-147 259	-72 237	-71 468
8. Change in receivables	-95 519	14 991	14 991
9. Change in short-term liabilities except for loans and credits	144 851	-16 868	-16 868
10. Change in accruals	-10 024	-19 817	-19 817
11. Other adjustments	-1 541	-10 075	-10 075
III. Net cash flow from operating activities	153 660	99 080	99 080
B. Cash flow from investment activity	**-240 538**	**-100 255**	**-100 255**
I. Inflows	137 185	11 204	11 204
1. Sales of intangible and tangible fixed assets	241	391	391
2. Sales of real estate properties and intangible assets			
3. From financial assets, including:	136 944	10 813	10 813
- financial assets sold	116 575	10 613	10 613
- dividends and profit share received			
- repayment of long-term loans granted	20 000		
- interest received	369	200	200
- other inflows from financial assets			
4. Other investment inflows			
II. Outflows	-377 723	-111 459	-111 459
1.Purchase of intangible and tangible fixed assets	-67 304	-77 054	-77 054
2. Real estate property and intangible assets			
3. To financial assets, including:	-310 081	-34 405	-34 405
- financial assets purchased	-310 381	-34 405	-34 405

- long-term loans granted			
4. Other investment outflows	-338		
III. Net cash flow from investment activities	-240 538	-100 255	-100 255
C. Cash flow from financial activity	**144 037**	**70 650**	**70 650**
I. Inflows	166 054	87 279	87 279
1. Net inflows from issue of shares, other capital instruments and			
2. Credits and loans	165 725	86 850	86 850
3. Issue of debentures			
4. Other financial inflows	329	429	429
II. Outflows	-22 017	-16 629	-16 629
1. Purchase of own shares			
2. Dividends and other dues paid to shareholders	-2 704		
3. Outflows from profit distribution, other than dues paid to			
4. Credits and loans repaid	-11 004	-6 573	-6 573
5. Redemption of debentures			
6. From other financial liabilities		-3 367	-3 367
7. Contractual payments of financial leasing dues	-1 341	-1 337	-1 337
8. Interest paid	-6 968	-4 918	-4 918
9. Other financial outflows		-434	-434
III. Net cash flow from financial activities	144 037	70 650	70 650
D. Total net cash flow	**57 159**	**69 475**	**69 475**
E. Balance sheet change in cash, including:	57 159	69 475	69 475
F. Cash (beginning of period)	498 037	286 179	286 179
G. Cash (end of period), including:	555 196	355 654	355 654
- of limited access and disposal			

Explanations relating to cash flow statement:
Change in the status of provisions - adjusted with the provision formed in respect of the GO Steel purchase: PLN 33 360 thousand.
Change in the status of liabilities:
Adjustment in respect of the undisbursed dividend: PLN 16 741 thousand
Adjustment in respect of the changed status of other financial liabilities: PLN 61 485 thousand
Adjusted with the changed status of the liabilities arising from the revaluation of the financial assets against the capital PLN 62 151 thousand
Adjusted with the changed status of the liabilities arising from the revaluation of the financial assets against the capital PLN 62 151 thousand

Abridged Financial Report for the 1st half of 2018

Selected Financial Data

Selected Financial Data	thousand x PLN		thousand x PLN	
	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018	1st half 2017 increasingly for the period from 01-01-2017 to 30-06-2017	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018	1st half 2017 increasingly for the period from 01-01-2017 to 30-06-2017
I. Net sales of products, goods and	763 818	642 057	180 167	151 165
II. Operating profit (loss)	28 076	11 858	6 622	2 792
III. Profit (loss) before taxation	30 189	102 854	7 121	24 216
IV. Net profit (loss)	25 606	98 322	6 040	23 149
V. Net cash flow from operating activities	-55 756	-116 528	-13 152	-27 435
VI. Net cash flow from investment	-147 041	79 351	-34 683	18 682
VII. Net cash flow from financial activities	133 891	52 578	31 582	12 379
VIII. Total net cash flow	-68 906	15 401	-16 253	3 626
IX. Total assets	2 238 876	1 979 350	513 315	474 562
X. Liabilities and provisions for liabilities	695 009	444 349	159 347	106 536
XI. Long-term liabilities				
XII. Short-term liabilities	593 154	379 820	135 995	91 064
XIII. Shareholders' equity	1 543 867	1 535 001	353 968	368 026
XIV. Share capital	11 161	11 161	2 559	2 676
XV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XVI. Profit (loss) per ordinary share (PLN)	4,59	17,62	1,08	4,15
Diluted profit (loss) per ordinary share				
XVII. Book value per share (PLN)	276,67	275,08	63,43	65,95
Diluted book value per share (PLN)				
XVIII. Declared or paid-out dividend for one share in (PLN/EUR)	3,00	3,00	0,71	0,71

1. Comparable financial data (item IX-XIV and XVII) was presented pursuant to the requirements of the International Financial Reporting Standards according to the balance for this 31st December 2017. Other comparable data is presented for the period from 1st January 2017 to 30th June 2017.
2. 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 30th June 2018 and amounting to PLN 4.3616 and PLN 4.1709 for this 31st December 2017.
- 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 4.2395 for 1st half 2018 and PLN 4.2474 for 1st half of 2017.
3. For profit-per-share calculation the number of 5,580,267 shares was adopted.

Balance sheet for 30.06.2018

BALANCE SHEET	thousand x PLN		Retrospectively	Retrospectively
	30.06.2018	31.12.2017	31.12.2017	01.01.2017
Assets				
I. Fixed assets	**1 505 532**	**1 345 413**	**1 345 413**	**1 357 906**
1. Intangible fixed assets, including	39 589	40 316	40 316	41 696
- right of perpetual land use	36 080	36 080	36 080	36 080
2. Tangible fixed assets	840 700	849 686	849 686	857 199
3. Long-term receivables				
4. Long-term investments	623 943	453 894	453 894	457 746
4.1. Real estate investments	91 468	93 239	93 239	96 781
4.2. Intangible assets				
4.3. Long-term financial assets	532 475	360 655	360 655	360 965
4.4. Other long-term investments				
5. Long-term prepayments	1 300	1 517	1 517	1 265
5.1. Deferred income tax assets	1 300	1 517	1 517	1 265
5.2. Other prepayments				
II. Current assets	**733 344**	**633 937**	**634 114**	**604 823**
1. Inventories	328 115	240 268	240 445	267 599
2. Short-term receivables	320 113	243 647	243 647	266 863
- including trade receivables in excess of one year	647	912	912	952
3. Short-term investments	69 355	138 079	138 079	60 892
3.1. Short-term financial assets	68 865	137 771	137 771	60 676
a) loans	31 000	31 000	31 000	41 600
b) own shares at nominal value				
c) cash and cash equivalents	37 865	106 771	106 771	19 076
3.2. Other short-term investments	490	308	308	216
4. Short-term prepayments	15 761	11 943	11 943	9 469
Total assets	**2 238 876**	**1 979 350**	**1 979 527**	**1 962 729**
Liabilities				
I. Shareholders' equity	**1 543 867**	**1 535 001**	**1 535 178**	**1 451 181**
1. Share capital	11 161	11 161	11 161	11 161
2. Own shares (stakes) (negative value)				
3. Reserve capital	104 184	104 184	104 184	104 184
4. Reserve capital from revaluation				
5. Other reserve capital	1 402 916	1 319 602	1 319 602	1 240 612
6. Retained earnings (losses)				95 224
7. Net profit (loss)	25 606	100 054	100 231	
II. Liabilities and provisions for liabilities	**695 009**	**444 349**	**444 349**	**511 548**

1. Provisions for liabilities	96 833	59 052	59 052	50 035
1.1. Provision for deferred income tax	56 801	52 435	52 435	43 049
1.2. Other provisions	40 032	6 617	6 617	6 986
a) long-term	38 993	5 578	5 578	5 044
b) short-term	1 039	1 039	1 039	1 942
2. Long-term liabilities				
2.1. Long-term credits and loans				
2.2. Other long-term liabilities				
3. Short-term liabilities	593 154	379 820	379 820	455 925
3.1. Short-term credits and loans	310 859	173 508	173 508	189 974
3.2. Current part of long-term credits and loans				25 000
3.3. Trade liabilities	236 996	180 980	180 980	202 495
- including trade receivables in excess of one year	1 951	1 874	1 874	1 831
3.4. Income tax liabilities				11 589
3.5. Other short-term liabilities	45 299	25 332	25 332	26 867
4. Accruals	5 022	5 477	5 477	5 588
Total liabilities	**2 238 876**	**1 979 350**	**1 979 527**	**1 962 729**
Book value	1 543 867	1 535 001	1 535 178	1 451 181
Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
Book value per share (PLN)	276,67	275,08	275,11	260,06

Profit and loss account for the period 01.01.2018-30.06.2018

PROFIT AND LOSS ACCOUNT for the period	thousand x PLN		Retrospectively
	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018	1st half 2017 increasingly for the period from 01-01-2017 to 30-06-2017	1st half 2017 increasingly for the period from 01-01-2017 to 30-06-2017
I. Net sales of products, goods and	**763 818**	**642 057**	**642 057**
1. Net sales of products	656 242	612 111	612 111
2. Net sales of goods and materials	107 576	29 946	29 946
II. Costs of products, goods and materials	**696 086**	**591 817**	**592 586**
1. Production cost of products sold	592 881	562 553	563 322
2. Value of goods and materials sold	103 205	29 264	29 264
III. Gross profit (loss) on sales	**67 732**	**50 240**	**49 471**
IV. Selling costs	16 875	17 670	17 670
V. General and administrative costs	19 848	17 808	17 808
VI. Profit (loss) on sales	**31 009**	**14 762**	**13 993**
VII. Other operating incomes	298	696	696
VIII. Other operating costs	3 231	3 600	3 600
IX. Operating profit (loss)	**28 076**	**11 858**	**11 089**
X. Financial incomes	5 995	94 655	94 655
XI. Financial costs	3 882	3 659	3 659
XII. Profit (loss) before taxation	**30 189**	**102 854**	**102 085**
XIII. Income tax	4 583	4 532	4 532
XIV. Net profit (loss)	**25 606**	**98 322**	**97 553**
Net profit (loss)	25 606	98 322	97 553
Weighted average number of ordinary shares	5 580 267	5 580 267	5 580 267
Profit (loss) per ordinary share (PLN)	4,59	17,62	17,48
Weighted average predicted number of ordinary			
Diluted profit (loss) per ordinary share (PLN)			

Total comprehensive income for the period 01.01.2018-30.06.2018

TOTAL COMPREHENSIVE INCOME for the period	thousand x PLN		Retrospectively
	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018	1st half 2017 increasingly for the period from 01-01-2017 to 30-06-2017	1st half 2017 increasingly for the period from 01-01-2017 to 30-06-2017
Net result	25 606	98 322	97 553
Total Comprehensive Income	**25 606**	**98 322**	**97 553**

Statement of changes in equity for the period 01.01.2018-30.06.2018

Statement of changes in equity for the period from 1st January to 30th June 2018 and 2017	thousand x PLN						
	Share capital	Supplementary capital	Revaluation reserve	Other reserve capital	Retained profits	Current year net profit	Equity TOTAL
Balance on this 01.01.2018 (opening balance)	**11 161**	**104 184**		**1 319 602**	**100 054**		**1 535 001**
Profit distribution				**83 314**	**-83 314**		**0**
Intercapital transfer							
Dividend					-16 740		**-16 740**
Total comprehensive income for period 1.01 - 30.06.2018						25 606	**25 606**
Balance on this 30.06.2018 (closing balance)	**11 161**	**104 184**		**1 402 916**	**0**	**25 606**	**1 543 867**
Balance on this 01.01.2017 (opening balance)	**11 161**	**104 184**		**1 240 612**	**95 731**		**1 451 688**
Profit distribution				**78 990**	**-78 990**		**0**
Intercapital transfer							
Dividend					-16 741		**-16 741**
Total comprehensive income for period 1.01 - 30.06.2017						98 322	**98 322**
Balance on this 30.06.2017 (closing balance)	**11 161**	**104 184**	**0**	**1 319 602**	**0**	**98 322**	**1 533 269**
Balance on this 01.01.2017 (opening balance) Retrospectively	**11 161**	**104 184**		**1 240 612**	**95 224**		**1 451 181**
Profit distribution				**78 990**	**-78 990**		**0**
Intercapital transfer							
Dividend					-16 741		**-16 741**
Total comprehensive income for period 1.01 - 30.06.2017						97 553	**97 553**
Balance on this 30.06.2017 (closing balance) Retrospectively	**11 161**	**104 184**	**0**	**1 319 602**	**-507**	**97 553**	**1 531 993**

Cash flow account for the period 01.01.2018-30.06.2018

CASH FLOW ACCOUNT for the period	thousand x PLN		
	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018	1st half 2017 increasingly for the period from 01-01-2017 to 30-06-2017	1st half 2017 increasingly for the period from 01-01-2017 to 30-06-2017
A. Cash flow from operating activities – indirect method	**-55 756**	**-116 528**	**-116 528**
I. Net profit (loss)	25 606	98 322	97 553
II. Total adjustments	-81 362	-214 850	-214 081
1. Depreciation	23 715	23 540	23 540
2. (Profit) loss from exchange rate fluctuations			
3. Interest and profit share (dividends)	-392	-92 044	-92 044
4. (Profit) loss on investment activities	20	278	278
5. Change in reserves	4 421	6 528	6 528
6. Change in inventories	-87 847	-27 788	-27 019
7. Change in receivables	-76 466	-81 914	-81 914
8. Change in short-term liabilities except for loans and credits	59 242	-40 958	-40 958
9. Change in accruals	-4 055	-2 492	-2 492
10. Other adjustments			
III. Net cash flow from operating activities	-55 756	-116 528	-116 528
B. Cash flow from investment activities	**-147 041**	**79 351**	**79 351**
I. Inflows	4 163	95 599	95 599
1. Sales of intangible and tangible fixed assets	1	32	32
2. Sales of real estate properties and intangible assets			
3. From financial assets, including:	4 662	95 567	95 567
- financial assets sold			
- dividends and profit share received	4 000	94 267	94 267
- repayments of long-term loans granted			
- interest received	162	200	200
- other inflows from financial assets		1 100	1 100
4 . Other investment inflows			
II. Outflows	-151 204	-16 248	-16 248
1. Purchase of intangible and tangible fixed assets	-12 244	-15 579	-15 579
2. Real estate property and intangible assets			
3. To financial assets, including:	-138 960	-669	-669
- financial assets purchased	-138 960	-669	-669
- long-term loans granted			
4. Other investment outflows			
III. Net cash flow from investment activities	-147 041	79 351	79 351
C. Cash flow from financial activities	**133 891**	**52 578**	**52 578**
I. Inflows	137 661	55 434	55 434

1. Net inflows from issue of shares, other capital instruments or capital receipts			
2. Credits and loans	137 352	55 006	55 006
3. Issue of debentures			
4. Other financial inflows	309	429	429
II. Outflows	-3 770	-2 856	-2 856
1. Purchase of own shares			
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	-3 770	-2 423	-2 423
9. Other financial outflows		-433	-433
III. Net cash flow from financial activities	133 891	52 578	52 578
D. Total net cash flow	**-68 906**	**15 401**	**15 401**
E. Balance sheet change in cash	**-68 906**	**15 401**	**15 401**
F. Cash (beginning of period)	**106 771**	**19 076**	**19 076**
G. Cash (end of period)	**37 865**	**34 477**	**34 477**

Explanations relating to cash flow statement:
Change in the status of liabilities: adjustment in respect of the undisbursed dividend: PLN 16 741 thousand.
Change in the status of provisions: adjusted with the provision formed in respect of the GO Steel purchase: PLN 33 360 thousand.

The Management Board's opinion on the qualified conclusion contained in the Auditing Company's Report on the Abridged Interim Consolidated Financial Report of the Stalprodukt S.A. Capital Group

The Certified Auditor's Report following the review of the Abridged Interim Consolidated Financial Report for the Shareholders and Supervisory Board of the Stalprodukt S.A. Company contains a qualified conclusion in which the Auditor claims that: "The data pertaining to the entities covered by the Abridged Interim Consolidated Financial Report, whose balance sheet totalled PLN 2,819.49 million, which accounts for 55.74 % of the balance sheet total prior to the recognition of the transitions excluded from the consolidation, as of 30 June 2018 had not undergone any review procedure or any other detailed verification procedure ".

In the Management Board's opinion, Abridged Interim Consolidated Financial Report of the Stalprodukt S.A. Capital Group for the 1st half of the year 2018, embraces the scope and content provided for in the IAS 34 *Interim Financial Reporting*. All the mandatory interim report elements as well as the material events and transactions were included in the Report concerned.

Additionally, the Report also embraced the scope of the National Review Standard 2410, in accordance with which the review was made and which provides for the certified auditor's option to draw a qualified conclusion only in the event if it is found (i) that the interim financial information has to be subject to an essential adjustment or (ii) that the scope of the auditor's work was limited in connection with the issue, which, in the auditor's opinion, does not have vast consequences for the interim financial information. In the Management Board's opinion relating to the review of the Abridged Interim Consolidated Financial Report of the Stalprodukt S.A. Capital Group for the 1st half of the year 2018, neither of the above circumstances occurred.

The Auditor does not state in his Report that interim financial information has to be subject to any essential adjustment and, moreover, he states that the review primarily consists in making inquiries to the persons responsible for the financial and accounting issues, analytical and other procedures. The Management Board declares that it submitted all the documents required by the Auditor, including the ones relating to the subsidiaries, as well as statements made by the Management Boards of the subsidiary companies, concerning the financial data and disclosures as well as court cases, in accordance with the Auditor's requirements.

Additional Information (Abridged Consolidated Financial Report for 1st half of 2018)

Introductory Information

The basic data

Apart from the Parent Company, the Stalprodukt S.A. Capital Group embraces 11 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 94.92% 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., GO Steel Frydek Mistek a.s.
- production of cold formed profiles, road safety barriers as well as cut-to-length cold- and hot-rolled sheets and strips – parent company Stalprodukt S.A.,
- non-ferrous metal ores mining and zinc and lead production – ZGH "Bolesław" S.A. along with its subsidiary companies:

- Zinc Smelter - Huta Cynku "Miasteczko Śląskie" S.A. – production of rectified zinc, lead and cadmium,
- Bol-Therm Sp. z o.o. – power supply-, laboratory-, mechanics and construction-related services, transport-equipmpent and forwarding services, production of dolomite aggregates, zinc products and zinc alloys,
- Gradir Montenegro d.o.o. – zinc ores mining and concentrate production,
- Agencja Ochrony Osób i Mienia "Karo" Sp. z o.o. – bodyguard and property security services,
- PRD Olkusz Sp. z o.o. - construction and repair of roads (a subsidiary of Boltech Sp. z o.o). As of 6 November 2017, the entity was transformed into a joint stock company.

- trade activities:

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

- other production- and services-related activities:

- production of galvanized banding steel and wire, as well as steel strips - Cynk-Mal S.A.,
- production of cold-rolled sheets - GO Steel Frydek Mistek a.s.
- 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. In the 1st half of 2017, the ZGH “Bolesław” S.A. capital share was raised up to 94,92% compared to 94.56% towards the end of the comparable period, as a part of the repurchase of employee shares. The increase took place within the buy-back process of the employee shares of the ZGH ”Bolesław” S.A. Company as well as in connection with the purchase of 56,192 shares from the State Treasury for the price of PLN 1,339,055.36, i.e. PLN 23.83 per share (Details to be found in Additional Information).
2. On 3 April 2017 a merger of Bolesław-Recycling Sp. z o.o. and ZGH „Bolesław” S.A. took place, acc. to the Merger Plan, i.e. by transferring the entire assets of the acquired company (Bolesław-Recycling Sp. z o.o.) to the acquiring company (ZGH „Bolesław” S.A.) without issuing new shares and increasing the share capital of the acquiring company. Before the merger, ZGH „Bolesław” held 100%-share in the acquired company.
3. On 28 February 2018 a transaction was concluded for the purchase of 100% shares of the GO Steel Frydek Mistek a.s. company based in the Czech Republic. The 1st of March 2018 was fixed as the take-over date. From that moment onwards the Company will be subject to full consolidation.
4. On 16.01.2018 the Extraordinary General Meeting of Shareholders of PRD Olkusz S.A. adopted a resolution No 3 on the mandatory buy-back of shares. The payment of the price amounting to PLN 23.7 thousand took place on 4 June this year. As a consequence, the share held by Boltech Sp. z o.o. increase to 100%.

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.

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	percentage of capital held	share of the total number of votes at a general meeting	share of the Parent Company
1.	Stalprodukt-MB sp. z o.o.	Bochnia	construction and maintenance of roads and highways	subsidiary	full consolidation	17.10.1997	100,00	100,00	100,00
2.	Stalprodukt-Wamech sp. z o.o.	Bochnia	production of spare parts and repair services	subsidiary	full consolidation	05.12.1997	100,00	100,00	100,00
3.	Stalprodukt-Centrostal sp. z o.o.	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997	100,00	100,00	100,00
4.	Stalprodukt-Serwis sp. z o.o.	Bochnia	services of installation, repair and maintenance of machinery	subsidiary	full consolidation	29.12.1998	100,00	100,00	100,00
5.	Stalprodukt-Zamość sp. z o.o.	Zamość	woodwork production and trade of metallurgical products	subsidiary	full consolidation	09.12.1997	100,00	100,00	100,00
6.	Stalprodukt-Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000	100,00	100,00	100,00
7.	STP Elbud sp. z o.o.	Kraków	manufacture of structures and galvanizing services	subsidiary	full consolidation	01.06.2005	100,00	100,00	100,00
8.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008	100,00	100,00	100,00
9.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	100,00	100,00	100,00
10.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	94.92	94.92	94.92
11.	GO Steel Frydek Mistek a.s.	Frydek Mistek	production of electrical transformer sheets and cold-rolled sheets	subsidiary	full consolidation	01.03.2018	100,00	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	94,92
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	94,92
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	88,07
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	94,55
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	71,43
17.	Przedsiębiorstwo Robót Drogowych Olkusz S.A.	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	94,92
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	19,68
19.	Stalprodukt-Profil S.A.	Bochnia	trade of metallurgical products	Stalprodukt S.A. subsidiary company	not applicable	not applicable	16,00	16,00	16,00
20.	StalNet Sp. z o.o.	Kraków	Internet commerce	Stalprodukt S.A. subsidiary company	not applicable	not applicable	28,00	28,00	28,00
21.	STP Investment S.A.	Bochnia	financial activity	personal	not applicable	not applicable	0,00	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 2018 to 30 June 2018 with the use of the full consolidation method, considering all the Group's subsidiaries. The comparable data cover the period from 1 January 2017 to 30 June 2017 referring to the profit and loss account and the cash flow statement, the balance sheet values reflect the status as of 31 December 2017.

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

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

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

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

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

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 2017.
   In the reporting period no important changes were introduced into the accounting principles (policy), except for the change referred to in point 4, 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 2017.

3. The information contained in the Consolidated Financial Report was compiled in compliance with the principles pertaining to the assets and liabilities valuation and net financial result measurement, defined as of the balance sheet day, in compliance with IFRS adopted by the European Union and interpretations related thereto, announced in the form of the European Commission Regulations, with the principle of materiality observed.
4. The Issuer's Individual Financial Report, incorporated herein, was also prepared in compliance with the above principles. Subject to the change concerning the accounting policy, related to the valuation method and determination of the inventory costs, since 1 January 2018 the Company has put the weighted average cost method to use, replacing the FIFO method ”first in, first out”. This change resulted from the launching of the new version of the IT IFS 9 system, full use of the system’s production module along with full version of the system recording the production orders. In the Issuer’s assessment, such a change in the reporting principles shall guarantee more reliable data and more useful information on the transaction’s impact on the financial standing and results, through the more effective management of the chain of supplies and the production process. For comparison, the present report contains a retrospective presentation of the results referring to the 1st half of 2017 using the new inventory cost settlement method. The Table below shows the impact of the changed accounting policy on the comparative data.

For day	generation costs	Net profit	Balance sheet value of inventories	Shareholders' equity
01.01.2017	507	-507	-507	-507
30.06.2017	769	-769	-769	-769
31.12.2017	-177	177	177	177

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 4 287 thousand in connection with the occurrence of positive temporary differences,
- deferred tax assets were reduced by the amount of PLN 443 thousand - reconciliation of the negative temporary differences,
- a provision was formed for doubtful receivables amounting to PLN 292 thousand and the one amounting to PLN 185 thousand was released;
- a provision for employee benefits was formed in the amount of PLN 14 007 thousand, and the provision for employee benefits amounting to PLN 12 662 thousand was released,

- a provision for repairs was created in the amount of PLN 5 392 thousand, and the one amounting to PLN 6 119 thousand was released,
- a provision for deteriorating profitability was formed in the amount of PLN 4 800 thousand,
- a provision for electrical energy origin certificates and CO2 emission allowances was created in the amount of PLN 3 049 thousand, and the one amounting to PLN 7 797 thousand was released,
- a provision for land reclamation was formed in the amount of PLN 55 thousand, and one amounting to PLN 167 thousand was released,
- provisions were formed in respect of the purchase of GO Steel Frydek Mistek. For the ”Earn-Out” component: PLN 14 595 thousand and PLN 18 765 thousand in respect of the obligations relating to the purchase of hot-rolled sheets - HRC contract,
- as a result of the merger and inclusion of GO Steel Frydek Mistek a.s. in the consolidation, other reserves increased by PLN 4 616 thousand,
- a write-off was formed revaluating the value of the finished products to the net value possible to acquire amounting to PLN 2 249 thousand, which was released in July this year.

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

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

Identification of the Business Combination

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

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

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

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

Purchase Price

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

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

The amount concerned was increased by the transaction processing costs which were, primarily, related to the obtaining of the consents from the anti-monopoly agencies (PLN 363 074,15).

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

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

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

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

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

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

Non-controlling interests: none.

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

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

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

a) Consideration transferred,
b) Amount of non-controlling interests,
c) Fair value of previous equity interests acquired and held in the acquire, above
d) Net amounts of identifiable assets acquired and liabilities assumed.

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

Consideration transferred: is based on the fair value calculated as the aggregate, determined on the acquisition day, of the fair value assets transferred by the Acquirer and liabilities incurred by the Acquirer in respect of the former owners.
The amount determined on the basis of the above formula assumed a negative value. The negative result stands for a gain from a bargain purchase amounting to PLN 19.7 million.

Disclosures

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

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

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

Business Segments

The segment-based reporting was based on IFRS 8 ”Operating Segments”. The rules governing the Stalprodukt Capital Group's division into operating segments and accounting principles applied in this kind of reporting were described in detail in the last published Consolidated Financial Report for 2017. The division into segments stands in accordance with IFRS 15 Revenue.

Information on Operating Segments for 1st half of 2018 (PLN Thousand)

Itemization	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	Total Consolidated Value
Segment Revenues	386 758	383 983	1 021 485	178 052	1 970 278
Segment Costs	329 689	380 641	824 284	164 419	1 699 033
Segment Result	**57 069**	**3 342**	**197 201**	**13 633**	**271 245**
Other Operating and Financial Revenues Non-Attributable to the Segment					48 652
Other General, Operating and Financial Costs Non-Attributable to the Segment					104 910
Gross Profit					**214 987**
Income Tax					36 553
Net Profit					**178 434**
Segment Assets	998 961	856 810	2 184 338	338 520	4 378 629
Assets Non-Attributable to the Segment					26 709
Total Assets					4 405 338
Liabilities	352 289	370 449	749 613	111 551	1 583 902
Contingent Liabilities					296 115
Total Liabilities					1 880 017
Investment Outlays	3 062	1 522	69 850	15 244	89 678
Depreciation	15 755	8 435	39 160	8 065	71 415

Information on Operating Segments for 1st 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
Segment Result	**14 737**	**20 103**	**208 749**	**6 198**	**249 787**
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
Gross Profit					**183 743**
Income Tax					33 512
Net Profit					**150 231**
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

Assessment of obtained results and financial situation

In the 1st half of 2018, compared to the analogical period of 2017, the Stalprodukt S.A. Capital Group recorded an increase of sales by PLN 275 030 thousand, i.e. by 16.22 %. At the profit-on-sales level PLN 197 240 was achieved, which accounts for a 8,5 %. increase. Whereas at the operating profit level a increase by PLN 4 247 thousand, i.e. 2.2 % was recorded. In the 1st half of 2018, the net profit amounted to PLN 178 434 thousand compared to PLN 150 231 thousand generated in the 1st half of 2017. It should be underlined that in the net profit position also the gain from a bargain purchase was recognized referring to the acquisition of the Go Steel Frydek Mistek a.s. company amounting to PLN 19 748 thousand. All the segments include in the report recorded increased sales levels.

The Electrical Sheets Segment recorded the increase of transformer sheet sales volumes by 33,6 % compared to the 1st half of 2017, with the accompanying increase of the Segment's sales by 45,8 %. The sales volume increase was largely caused by consolidating the activities of the GO Steel Frydek Mistek company in the Segment, with a reservation that the presented data are only related to 4 months. The 1st half of the year was the period of adjustment for the Czech

Company's trade policy and also harmonization of the prices. At the same time, compared to the 1st half of 2018, recorded an increase of prices. The above stands in accordance with the Issuer's previous assumptions on the improvement of the market conditions and improved effectiveness of the Segment in the first half of 2018. It should be underlined that the average prices achieved in the Segment approximated the level achieved in the 2nd half of 2017. The effect of the above mentioned factors was an almost 4-fold increase of the Segment's profit margin. In the Issuer's assessment, this trend will be maintained, however, at the same time, the Issuer directs attention to the considerable price pressure from the Segment's customers.

The Profiles segment recorded a 1.6 % increase in sales compared to the first half of 2017. At the same time, the sales achieved in the Segment were higher by PLN 24 056 thousand, i.e. by 6.7 %. This was primarily caused by the increase of the Segment's products' prices and a higher share of more expensive products – such as crash barriers - in the Segments overall sales. The Segment recorded lower results, however, compared to the two preceding quarters, it did not record a loss. Analyzing the market conditions for the products of the Profiles Segment, the Issuer underlines that the maintained negative proportion between the charge material prices and the finished products' prices and a considerable increase of the imports adversely affect the Segment's result. The Issuer puts emphasis on the significant market variability which is related to the affecting various often overlapping factors, price policy adopted by steel works in response to the EU decisions or the commencement of the infrastructural investments planned within the new financial perspective. The Issuer stresses a considerable market variability which is connected with the overlapping, and, frequently, contradictory factors, price policy adopted by the steel works or commencement of the infrastructural investment projects within the framework of the new financial perspective. On 17 July 2018, an executory Commission Regulation (EU) No 2018/1013 was issued, imposing provisional protection measures on the imports of selected steel products. In the Issuer's opinion, the above solutions, aimed at the reduction of cheap imports of steel products to the EU territory, will have a positive impact on the condition of the EU steel producers, including the Issuer, who is being increasingly affected by the unfair competition from the non-EU countries, referring in particular, to the products of the Profiles Segment.

In the 1st half of 2018, the Zinc Segment's net sales amounted to PLN 1 021 485 thousand and increased by 5,3 % in relation to the comparable period in the previous year when the sales amounted to PLN 970 231 thousand. The increase of sales in the 1st half of 2018 resulted from the increase of zinc prices (by 21.5%) and lead ones (by 10.6%) at the London Metal Exchange market. However, a considerable decrease of the US. Dollar exchange rate (by almost 12%) actually smoothed this effect away.

At the same time in the 1st half of the current year the Segment's profit amounted to PLN 197 201 thousand and was by 5.5 % lower than the result achieved for the 1st half of 2017. The Segment's profit margin reached the level of 19.3 % and was by 2.2 percentage points below the profit margin achieved for the 1st half of the 2017 (21.5%).

The decrease of the profit margin in the current reporting period is mainly caused by:

- decrease of the Zn-Pb mining output, leading to the decrease of the concentrates production,
- the decrease of the US dollar exchange rate by 12% (the result sensitivity to the dollar exchange rate is much greater than the one to the exchange market prices),
- decrease of the products' sales volume,
- increase of the prices of the zinc-lead charge materials purchased on the market (TC significant decrease),
- Increase of the prices of energy resources in the ISP and Waelz processes (coke, coke breeze, gas).

The prices for the basic metals bought by ZGH "Bolesław" S.A. 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 2018
Average LME zinc price 3 268 USD/t.
Average LME lead price 2 456 USD/t.
Average LME silver price 16.7 USD/oz.
USD exchange rate: PLN 3.4872

The LME zinc basic reference price converted to PLN increased by 7 % from PLN 10 640 in the 1st half of 2017 to PLN 11 388 in the analyzed period. The price of zinc determines over 86% of the turnover generated by ZGH and its subsidiary companies.

The LME lead basic reference price converted to PLN decreased by 2,5 % from PLN 8 782 in the 1st half of 2017 to PLN 8 564 in the analyzed period. The price of lead determines approximately 4 % of the turnover generated by ZGH and its subsidiary companies.

Het LBM silver basic reference price converted to PLN increased by 15 % from 68.4 per ounce in the 1st half of 2017 to PLN 58.1 per ounce in the analyzed period. The price of silver determines approximately 2% of the turnover generated by ZGH and its subsidiary companies.

Moreover, the basic products' sales volume was lower in the 1st half of 2018, adversely affecting the overall sales. And so:

In the 1st half of 2018, the zinc products sales volume was comparable to the one achieved in het analogical period of the previous year.

In the 1st half of 2018, the refined lead sales volume decreased by 14 % (whereas the lead concentrates sales volume decreased by 16 %).

In the 1st half of 2018, the silver sales volume stayed at the same level as in 2017.

In conclusion, in the 1st half of 2018 as compared to the analogical period of the previous year:

- The following factors beneficially affected the sales figures:
  - increase of the LME zinc and lead prices,
  - more advantageous TC for the sale of lead concentrates,
- The following factors adversely affected the sales figures:
  - decrease of the US dollar exchange rate,
  - decrease of silver LBMAg prices,
  - decrease of the basic products' sales volume.

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.

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.

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.

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	30.06.2018			30.06.2017		
			Amount	Currency	thous. PLN	Amount	Currency	thous. PLN
1	Bank guarantees and letters of credit	credit/contract	615	PLN	**615**	2 071	PLN	**2 071**
2	Bank guarantees and letters of credit	credit/contract	3 024	EUR	**13 189**	3 050	EUR	**12 891**
3	Bank guarantees and letters of credit	credit/contract	7 610	USD	**28 492**	7 665	USD	**28 408**
4	Suretyships	credit/contract	899	PLN	**899**	899	PLN	**899**
5	Suretyships	credit/contract	14 700	EUR	**64 116**	15 200	EUR	**64 243**
6	Suretyships	credit/contract	0	USD	**0**	1 500	USD	**5 559**
	Total				**107 311**			**114 071**

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 (interrelations were shown for the period from January 2018 to May 2021).

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
Active currency hedging instruments as of 30.06.2018 r.			PLN thousand		
Cash Flow Hedging	forward	$219 243 000,00	-1 554	-1 554	risk from USD/PLN exchange rates
Cash Flow Hedging	forward	€3 900 000,00	801	801	risk from EUR/PLN exchange rates
Cash Flow Hedging	option strategies (collar)		0	0	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 (interrelations were shown for the period from January 2018 to May 2021).

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
Active commodity hedging instruments as of 30.06.2018 (zinc)			PLN thousand		
Cash Flow Hedging	swap	28 325	-28 632	-28 632	Price Change Risk Zn LME in PLN
Cash Flow Hedging	swap in USD	70 900	-30 005	-30 055	Price Change Risk Zn LME in USD
Cash Flow Hedging	option strategies (collar)	13 500	-4 693	-2 977	Price Change Risk Zn LME
Cash Flow Hedging	put	6 750	4 648	847	Price Change Risk Zn LME
Cash Flow Hedging	call	6 750	-9 341	-3 824	Price Change Risk Zn LME
Active commodity hedging instruments as of 31.12.2018 (lead)			PLN thousand		
Cash Flow Hedging	swap	4 850	-3 374	-3 374	Price Change Risk Pb LME in PLN
Cash Flow Hedging	swap in USD	1 500	-1 721	-1 721	Price Change Risk Pb LME in USD
Cash Flow Hedging	option strategies (collar)	3 600	-69	-404	Price Change Risk Pb LME
Cash Flow Hedging	put	1 800	801	0	Price Change Risk Pb LME
Cash Flow Hedging	call	1 800	-870	-404	Price Change Risk Pb LME
Active commodity hedging instruments as of 31.12.2017 (silver)			PLN thousand		
Cash Flow Hedging	swap	0	0	0	Price Change Risk Ag LMBA

ZGH "Bolesław" S.A. and its Subsidiaries' Exposure to Market Risks

The GK Bolesław's exposure to market risks in 2018 is as follows:

- Zinc - approx. 99 000 tons
- Lead - approx. 15 200 tons
- Silver - approx. 492 500 Ozs
- Currency - approx. USD 343 500 000

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	
	30.06.2018	30.06.2017
Long-Term investments	30 245	35 332
Short-Term Investments	27 692	87 901
TOTAL, including:	**57 937**	**123 233**
a) valuation of derivative transactions	57 937	62 397
b) securities	43 266	60 837

Explanation to Item: Liabilities pertaining to hedging instruments	PLN thousand	
	30.06.2018	30.06.2017
Contracts for Hedging Transactions	40 786	47 818
Conclusions of Currency Option Transactions	98 372	119 934
Adjustment pertaining to the amount resulting from the closed transactions settlements with brokers	-8 502	-5 868
TOTAL	**130 656**	**161 884**

Valuation of Derivative Transactions	PLN thousand			
	30.06.2018		30.06.2017	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Commodity Transactions - Zinc	35 707	94 746	8 561	152 775
Commodity Transactions - Lead	967	6 131	793	8 742
Currency Transactions - USD/PLN EUR/PLN	21 263	29 778	52 739	366
Commodity Transactions- Silver	0	0	304	0
Total	**57 937**	**130 655**	**62 397**	**161 883**

Division of Hedging Instruments	PLN thousand			
	30.06.2018		30.06.2017	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Hedging Instruments	**51 517**	**120 815**	**58 821**	**157 150**
Commodity Transactions - zinc	*29 345*	*92 725*	*8 321*	*148 041*
Commodity Transactions - lead	*966*	*6 131*	*793*	*8 743*
Currency Transactions - USD/PLN, EUR/PLN	*21 206*	*21 959*	*49 403*	*366*
Commodity Transactions - Silver	*0*	*0*	*304*	*0*
Trade Instruments	**6 420**	**9 841**	**3 575**	**4 734**
Commodity Transactions- zinc	*6 362*	*2 022*	*240*	*4 734*
Commodity Transactions - lead	*0*	*0*	*0*	*0*
Currency Transactions - USD/PLN, EUR/PLN	*58*	*7 819*	*3 335*	*0*
Commodity Transactions - silver	*0*	*0*	*0*	*0*
Total	**57 937**	**130 656**	**62 396**	**161 884**

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	
	30.06.2018	30.06.2017
Sales of Products Adjustment	*-66 005*	*-72 701*
Sales of Goods Adjustments	*0*	*0*
Revaluation of Investments	*-4 985*	*10 695*
Gains/Loss on Sale of Investments	*-2 117*	*6 472*
Total	**-73 107**	**-55 534**

Cash Result from Reconciliation of Derivative Instruments:	PLN thousand	
	30.06.2018	30.06.2017
Commodity Transactions	*-94 194*	*-75 279*
Currency Transactions	*20 602*	*5 043*
Total	**-73 592**	**-70 236**

Sales of Products Adjustment Related to Application of Hedging Instruments:	PLN thousand	
	30.06.2018	30.06.2017
Sales Increase	*28 542*	*15 341*
Sales Decrease	*-94 547*	*-88 042*
TOTAL	**-66 005**	**-72 701**

Status of Capital from Revaluation Related to Application of Hedge Accounting (excluding Deferred Tax)	PLN thousand	
	30.06.2018	30.06.2017
Valuation of Open Hedging Instruments:	**-67 916**	**-97 988**
- Zn	*-61 664*	*-139 719*
- Pb	*-5 499*	*-7 624*
- USD/PLN	*-1 554*	*49 051*
- Ag	*0*	*304*
- EUR/PLN	*801*	*0*
Result from the Application of Hedging Instruments Capital- Retained until the Realization of the Hedged Item:	**-1 361**	**-1 292**
- Zn	*-1 361*	*-1 292*
- Pb	*0*	*0*
- USD/PLN		*0*
TOTAL	**-69 277**	**-99 280**

Other Information

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

2. As of the balance sheet day, the Stalprodukt S.A. Capital Group holds the below mentioned off-balance-sheet contingent liabilities:
   - guarantee of good workmanship concerning the production and assembly of road barriers totaling PLN 22 346 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 1 547,5 thousand,
   - ZGH "Bolesław" S.A. issued a bill of exchange in connection with the agreement concluded with the National Center for Research and Development, amounting to PLN 38.8 million (wash tubs hall investment project) for subsidizing the project within the Intelligent Development operating program (Number of Agreement POIR.01.01.02-00-0159/16-00),
   - no bank collaterals, which were disclosed in the 2017 report, were subject to change in respect of the banks financing the credit agreements.

3. The Issuer does not publish result forecasts.

4. The pending bankruptcy and composition proceedings cover the Group's receivables totalling PLN 4 868 thousand, wherein Stalprodukt's share amounts to PLN 743 thousand and ZGH "Bolesław"'s - PLN 4 125 thousand.

During the reporting period, no other essential proceedings were instituted or pending before the courts or government agencies, concerning any liabilities or receivables, which might exert a significant influence on the Group's future results and its financial standing.

5. As of the Report submission day, the shareholders holding at least 5% of the total number of votes at the General Meeting of Shareholders are:
   - STP Investment S.A. holding 1 829 319 shares, accounting for a 32.78 %-share in capital and 5 875 691 votes, accounting for 48.17 % of the total number of votes at the General Meeting of Shareholders,
   - Stalprodukt Profil S.A. holding 579 652 shares, accounting for 10.39 %-share in capital and 1 095 488 votes, accounting for 8.98 % of the total number of votes at the General Meeting of Shareholders.
   - ArcelorMittal Sourcing a société en commandite par actions holding 1 066 100 shares, accounting for a 19.10 %-share in capital and 1 066 100 votes, accounting for a 8.74 % of the total number of votes at the General Meeting of Shareholders,

6. As of the Report submission day, the ownership statuses of management and supervision officers in respect of the Issuer's shares are as follows:

   a/ management officers:

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

   b/ supervision officers:

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

In the period pending from the date of issuance of the previous periodic report, no changes occurred in respect of the shareholding status of the managing and supervising officers.

Moreover, Piotr Janeczek indirectly holds, i.e. through:

- STP Investment S.A. - 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. - 579 652 shares, accounting for a 10.39 %-share in capital and 1 095 488 votes, accounting for 8.98 % of the total number of votes at the General Meeting of Shareholders,
- F&R FINANSE sp. z o.o. – 43 807 shares, accounting for a 0.79 %-share in capital and 43 807 votes, accounting for 0.36 % of the total number of votes at the General Meeting of Shareholders,

- Stalnet sp. z o.o. (together with Mrs. Halina Orłowska) – 135 564 shares, accounting for a 2.43 %-share in capital and 383 572 votes, accounting for 3.14 % of the total number of votes at the General Meeting of Shareholders,

i.e. the total of 2 588 342 shares, accounting for a 46.38 %-share in capital and 7 398 558 votes, accounting for 60.65 % of the total number of votes at the General Meeting of Shareholders.

Considering the shares directly held by Mr. Piotr Janeczek, he holds a total of (i.e. directly and indirectly) 2 703 395 Stalprodukt S.A. shares, accounting for a 48.45 %-share in capital and 7 973 471 votes, accounting for 65.36 % of the total number of votes at the General Meeting of Shareholders.

Moreover, attention should be paid to the fact that the Shareholders' agreement concluded on 30 June 2016, concerning the acquisition of the Company's shares and consensual voting at the General Meetings of the Company's Shareholders, as well as pursuing the common policy in respect of the Company, was terminated on 29 June 2018 (Current Report No 17 as of 29.06.2018).

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

8. The total value of the Issuer's transactions with associated companies in the period from 01.01.2018 to 30.06.2018 and in the comparable period from 01.01.2017 to 30.06.2017 is presented in the Table below.

Items the 1st half of 2018	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-MB sp. z o.o.	85	2 040	388	2 330
Stalprodukt-Wamech sp. z o.o.	135	1 605	688	4 656
Stalprodukt-Centrostal sp. z o.o.	54 289	259	165 870	715
Stalprodukt-Serwis sp. z o.o.	64	1 082	351	2 727
Stalprodukt-Zamość sp. z o.o.	89	121	397	414
Stalprodukt-Ochrona sp. z o.o.	19	758	108	7 135
STP Elbud sp. z o.o.	211	5 122	1 171	13 196
Cynk-Mal S.A.	6 503	3	14 353	6 607
ZGH „Bolesław" S.A.	0	20	0	192
Anew Institute sp. z o.o.	0	134	0	315

GO STEEL Frydek Mistek a.s.	38 583	1 998	75 540	3 816

Moreover, in the 1st half of 2018, 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 6 thousand, costs PLN 0 thousand; receivables PLN 0 thousand, liabilities PLN 0 thousand. The receivables in respect of F&R Finanse Sp. z o.o. amount to PLN 12 771 thousand. These were market-type transactions.

Items the 1st 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

9. In the reporting period the Group made investment outlays on the purchase and formation of tangible fixed assets amounting to PLN 8 9 678 thousand. No significant fixed asset components have been disposed of during the reporting period.

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

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

12. On 25.04.2018, the Regional Court of Cracow, 9th Economic Department (cases jointly designated with file No IX GC 543/13) issued judgements in the following cases regarding the subsidiary company, i.e. ZGH ”Bolesław” S.A.:
    1. regarding the suit brought by Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. in Olkusz against the Company for the payment of compensation in the amount of PLN 64,015,224.00 (File No IX GC 99/14) issued a preliminary judgement, recognizing the action of PWiK sp. z o.o. in Olkusz as justified as a matter of principle. The potential amount of the compensation shall be subject to further proceedings and may total the maximum of PLN 64 million. In connection with the referenced lawsuit, already in 2015, the Company formed a provision amounting to PLN 15 million. The judgement is not final and legally binding. The Company shall lodge an appeal against the judgement,

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

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

a) *from the beginning of 2017 onwards, PWiK sp. z o.o. ceased to use the mining waters, provided by the Company, in its activities as defined in the Articles of Association. Staring from that moment, PWiK sp. z o.o. has exclusively used its own independently-constructed water supply system, based, in particular, on the Kolbark, Cieślin and Bydlin water intakes. The above intakes seem to sufficiently secure the Olkusz region's water supply,*
b) *what is recognized as damages in the case concerned, is the value of the outlays made by PWiK sp. z o.o. in order to build the new water supply system. It should be pointed out that, considering the present condition, as for today PWiK sp. z o.o. expended around gross PLN 29 million to this end. These funds were used for the construction of the above mentioned water intakes and water distribution pipelines. Therefore, at the present moment, this is how much the damages total and not PLN 64 million,*
c) *in the Company's assessment, the potential compensation amount should be rendered as a net amount (exclusive of VAT, which PWiK sp. z o.o. may deduct). The present status means that the above mentioned amount should be reduced by 23%.,*

d) *while building the water supply system, PWiK sp. z o.o. benefited from the EU extra funding amounting to 60-80% of the project value. In the Company's assessment, the adversary has not sustained any loss in this respect,*
e) *determining the compensation amount, one should exclude investments related to the water supply activities, e.g. water chlorination equipment, UV irradiation,*
f) *the above issues shall, most probably, be the object of further proceeding, including the valuations to be made by the experts.*

Moreover, it should be reminded that the issue of contingent liabilities related to the acquisition of ZGH "Bolesław" S.A. was described in detail in the Stalprodukt S.A. Consolidated Financial Report for the year 2013 (item 11. Settlement of the ZGH "Bolesław" S.A. purchase price). The contingent liabilities were defined as resulting from the risks identified by the Acquirer and related, among others, to: the "Olkusz-Pomorzany" mine liquidation costs and liability for the mining damages. The amount resulting from the above mentioned estimates totaled PLN 296 115 thousand. This amount was entered in the Balance Sheet as of 31.12.2013 in the position "Contingent liabilities due to the purchase of ZGH "Bolesław" S.A".

13. In accordance with the Privatization Agreement signed on 7 November 2012, concluded between the State Treasury of the Republic of Poland and the Stalprodukt S.A. company based in Bochnia, regarding the purchase of the shares of the ZGH "Bolesław" S.A. company, Stalprodukt also submitted an offer of purchase (pursuant to the par. pkt 6.1 and 6.2 of the a.m Agreement) of all the remaining company's shares (i.e. the ones not taken up by the employees authorized to the gratuitous acquisition). As a result of the offer's acceptance by het Ministry of Development on 1.12.2017, i.e. within the period of 60 months from the conclusion of the transaction as provided for in the Agreement, this obligation became binding.

    In effect, on 31.03.2018 an Agreement for the Purchase of 56,192 shares of the ZGH "Bolesław" S.A. company was signed by Stalprodukt S.A. and the Ministry of Entrepreneurship and Technology representing the State Treasury . The total price for the shares purchased amounted to PLN 1,339,055.36, i.e. PLN 23.83 per 1 share. The above mentioned shares account for 0.34 % of the ZGH "Bolesław" S.A. share capital. After Stalprodukt S.A. had been entered to the company's share register as the holder of the above mentioned shares, as of 27 April 2018, the Stalprodukt's total "Bolesław" S.A. share capital increased from 94.59 % (as of 31.03.2018) to the level of 94.92 %.

14. On 26 June 2018, the General Meeting of Shareholders adopted a resolution on the disbursement of dividend from the 2017 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 13 July 2018, and the dividend disbursement date was fixed on 31 July 2018.

15. On 31 July 2018 the Issuer concluded a long-term credit agreement with the PKO BP S.A. bank amounting to PLN 100 000,00 thousand (in words: one hundred million of Polish zlotys) for the refinancing of the purchase of the GO Steel Frydek Mistek a.s. shares. The credit was granted for 5 years (to 30 June 2023) with quarterly straight line depreciation. The credit is secured with the blank bill of exchange and pledge on the shares of the Go Steel Frydek Mistek a.s. company.

16. On 28 June 2018 an agency agreement was signed with the Stalprodukt -Centrostal Kraków Sp. z o.o. Company. In line with the terms and conditions thereof, the purchases and sales shall not be made on the subsidiary company's own account, but in the Stalprodukt's name and on the Stalprodukt's account. At the same time, towards the beginning of July 2018, the Issuer took over the warehouses localised in Gliwice, Wrocław, Radom, Szczecin and Wrocław. The changes introduced into the distribution system of the Profiles Segment are aimed at improving of the finished product warehouses' management and reducing the costs generated by the sales network. In connection with the warehouses' take-over, investment properties were reduced by PLN 23 962 thousand, at the same time fixed assets were increased by the amount concerned.

17. The General Meeting of ZGH „Bolesław" S.A. Shareholders held on 19 June 2018 adopted a resolution on the dividend disbursement for the fiscal year 2017. The profit-based amount appropriated for the dividend is PLN 6.00 per share. The dividend record date was 6 July 2018, and the dividend disbursement date was fixed on 27 July 2018. The dividend amount of PLN 94 609 866.00 shall be recognized in the Issuer's separate result for the 3rd quarter of 2018.

18. 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.

19. 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.

20. 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.

21. During the reporting period and following 30.06.2018 until the preparation of the Abridged Consolidated Report for the 1st 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.

22. Pursuant to par. 62, subpar. 1 of the Regulation of the Minister of Finance as of 29.03.2018 on current and periodic information to be disclosed by issuers of securities and conditions for recognizing as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws 2018, item 757), 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 2018".

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

24. This Abridged Consolidated Financial Report for the 1st half of 2018 was approved for publication by parent Company's Management Board on 30.08.2018.

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

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

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