

**Semi-Annual Report
on Stalprodukt S.A.
Capital Group's Activities
For the period from 1.01.2018 to 30.06.2018**

Bochnia, August 2018

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1. Capital Group's Structure

The Stalprodukt S.A. Capital Group embraces the Parent Company and 11 Subsidiary Companies involved in the below-mentioned segments of activity:

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

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

- in ZGH “Bolesław” – 94.92 %
- in other companies – 100 % shares each.

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

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

Pursuant to art. 55 of the Accountancy Act as of 29.09.1994 (consolidated text Journal of Laws as of 2018, item 395), the Issuer prepares consolidated financial reports in reference to the periods beginning as of 1 January 2005 in accordance with IFRS.

Additionally, as of 30.06.2018 ZGH “Bolesław” had shareholdings in the following subsidiary companies (in brackets, ZGH' shareholding in share capital of those companies):

- **Zinc Smelter - Huta Cynku “Miasteczko Śląskie” S.A.** (92.78 %) – production of rectified zinc, lead and cadmium,
- **Bol-Therm Sp. z o.o.** (100 %) – power supply-, laboratory-, mechanics and construction-related services, transport-equipment and forwarding services, production of dolomite aggregates, zinc products and zinc alloys,
- **Gradir Montenegro d.o.o.** (99.61 %) – zinc ores mining and concentrate production,
- **Agencja Ochrony Osób i Mienia “Karo” Sp. z o.o.** (100 %) – bodyguard and property security services,
- **F&R Finanse Sp. z o.o.** (19.68 %) - financial services and financial advisory.

Furthermore, as of 30.06.2018 Boltech company had 100 % in share capital of Przedsiębiorstwo Robót Drogowych Olkusz Sp. z o.o. It should be stressed that the increase of the Boltech Company's share in the PRD Olkusz S.A Company's share capital resulted from the mandatory purchase of 100 shares, accounting for 0.29 % of the Olkusz-based Company: Przedsiębiorstwo Robót Drogowych w Olkuszu S.A.

1. Change of the Capital Group's organizational structure during the 1st half of 2018.

Changed operation rules of the Profiles Segment's sales network

Considering the changes taking place on the market and in the market environment, in cooperation with the Stalprodukt-Centrostal Kraków Sp. z o.o. subsidiary company's Management Board, some guidelines were developed relating to the operation of the Profiles Segment's sales network (excluding road barriers). It should be reminded that so far the above mentioned Company has managed the domestic sales network on the basis of commercial warehouses leased from Stalprodukt S.A., localized in Gliwice, Wrocław, Radom, Szczecin and Wrocław.

Among the most important reasons for the introduction of the changes concerned, the following should be listed: improved effectiveness of management of the finished product warehouses and reduction of the costs related to the sales network.

In view of the above, as of 1 July 2018, certain changes were introduced, relating to the operation of the domestic sales network, which covered, among others:

- formation of the Branch Warehouses Section in the Marketing Director's Division, accompanying the liquidation and take-over from the structures of the Stalprodukt-Centrostal Kraków Sp. z o.o. company all of the warehouses operating there at the time – along with the finished products stored therein (terminations of the lease contracts),
- take-over of the Stalprodukt-Centrostal Kraków warehouse employees by Stalprodukt pursuant to art. 23 of the Labor Code,
- the buy-back of the finished products stored in Stalprodukt-Centrostal Kraków by Stalprodukt, as recorded at the end of June, at market prices,
- Stalprodukt-Centrostal Kraków pursuing the sales of the finished products processed by the Stalprodukt Profiles Segment on the basis of an agency agreement (the agreement was signed on 28 June this year). In accordance with the agreement terms and conditions, the purchases and sales are not pursued on the subsidiary company's own account, but in the name of Stalprodukt and on Stalprodukt's account – pursuant to the granted proxies,
- Introduction of new remuneration rules, i.e. instead of the annual bonus granted so far, Stalprodukt-Centrostal Kraków will get an agency commission calculated as the turnover-based percentage. According to the guidelines, the new rules should result in the reduction of the sales network operating costs.

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2. Assessment of Economic and Financial Standing

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

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

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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.

Compared to 31.12.2017, some slight changes took place in the volume of the assets and their financing sources. The assets value increased by 11.9 %. At the same time the current assets increased by 17.1 %. The equity increased by PLN 256 293 thousand, i.e. by 11.5 %. The liabilities and provisions for liabilities increased by PLN 211 288 thousand, i.e. by 12.4 %. Compared to 31.12.2017 an increase of the book value per share took place from PLN 400.64 to PLN 446.57.

In the first half of 2018, the return on sales (ROS) was recorded as follows on particular levels:

Itemization	1st half of 2017	1st half of 2018
Return on sales	10.7	10,0
Operating margin	11.1	9,8
Gross margin	10.8	10,9
Net margin	8.7	9,1

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

Itemization	1st half of 2017	1st half of 2018
Return on assets	3.8	4,1
Return on equity	6.7	7,2

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

Itemization	1st half of 2017	1st half of 2018
Current ratio	2.0	2,1
Quick ratio	1.2	1,3

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

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

In the assessment of the financing banks, the Stalprodukt Capital Group is continuously enjoying credit capacity which allows the Group to obtain multi-form financing for its activities. All the credit lines, which were precisely described in the last Consolidated Financial Report for 2017, are still functioning and are extended by the banks in due time. Most of these credit lines are used as limits for guarantees

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and letters of credit, and for overdrafts in current accounts. They, additionally, secure the Group's internal financing sources.

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

3. Sales of particular operating segments. Indication of the factors and events, including the non-typical ones, affecting the Abridged Interim Consolidated Financial Report.

OPERATING SEGMENTS the Stalprodukt Capital Group		1st half of 2017	1st half of 2018	Change (2018/2017)
Electrical Sheets Segment				
Segment Revenues	<i>tys. zł</i>	265 182	386 758	45,8%
Segment Result	<i>tys. zł</i>	14 737	57 069	287,2%
Segment margin	%	5,6%	14,8%	
Profiles Segment				
Segment Revenues	<i>tys. zł</i>	359 927	383 983	6,7%
Segment Result	<i>tys. zł</i>	20 103	3 342	-83,4%
Segment margin	%	5,6%	0,9%	
Zinc Segment				
Segment Revenues	<i>tys. zł</i>	970 231	1 021 485	5,3%
Segment Result	<i>tys. zł</i>	208 749	197 201	-5,5%
Segment margin	%	21,5%	19,3%	
Other Activities Segment of Capital Group				
Segment Revenues	<i>tys. zł</i>	99 908	178 052	78,2%
Segment Result	<i>tys. zł</i>	6 198	13 633	120,0%
Segment margin	%	6,2%	7,7%	
Operating segments together				
Segments Revenues	<i>tys. zł</i>	1 695 248	1 970 278	16,2%
Segments Result	<i>tys. zł</i>	249 787	271 245	8,6%
Segments margin	%	14,7%	13,8%	

Zinc Segment

The Zinc Segment embraces the operational scope of ZGH “Boleslaw” S.A. along with its subsidiary companies, i.e. excavation of zinc and lead ores, zinc and lead production as well as related activities.

For yet another time the Zinc Segment’s results had the strongest impact, both on the sales figures, and on the consolidated results of the Stalprodukt Group in the 1st half of 2018. During this period the Zinc Segment’s net sales amounted to PLN 1 021 485 thousand and, in relation to the comparable period of the previous year in which the sales increased to the level of PLN 970 231 thousand, increased by 5.3 %. The basic factor determining the increase of sales in this operating Segment of the Group, was the increase of zinc prices (by 21.5%) and lead prices (by 10.6%) at the London Metal Exchange market. However a considerable decrease of the US dollar exchange rate (by almost 12%) markedly 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 (on LME) bought by ZGH “Boleslaw” S.A. were as follows in 1st half of 2017 and in 1st half of 2018:

Metal	Average price (USD/tons) 1st half of 2017	Average price (USD/tons) 1st half of 2018	Change (%)
zinc	2 690	3 268	21,5
lead	2 221	2 456	10,6
silver (USD/oz.)	17,3	16,7	-3,5

Metal prices converted to the PLN currency:

Metal	Average price (PLN/tons) 1st half of 2017	Average price (PLN/tons) 1st half of 2018	Change (%)
zinc	10 640	11 388	7,0%
lead	8 782	8 564	-2,5%
silver (USD/oz.)	68,4	58,1	-15,1%

- The price of zinc determines over 86% of the turnover generated by ZGH and its subsidiary companies.
- The price of lead determines approximately 4 % of the turnover generated by ZGH and its subsidiary companies.
- The price of silver determines approximately 2% of the turnover generated by ZGH and its subsidiary companies.

Change in sales volume:

- the zinc products: sales volume was comparable to the one achieved in the analogous period of the previous year,
- the refined lead: in the 1st half of 2018 sales volume decreased by 14 % (whereas the lead concentrates sales volume decreased by 16 %),
- the silver: in the 1st half of 2018 sales volume stayed at the same level as in 2017.

Zmiany w wolumenach sprzedaży:

- wyroby cynkowe: wolumen zbliżony do I półrocza 2017 r.,
- ołów rafinowany: w I półroczu 2018 roku spadł o 14 %, natomiast sprzedaż koncentratów ołowiowych spadła o 16 %,
- srebro: w I półroczu 2018 roku był zbliżony do I półrocza 2017 roku.

In conclusion, in the 1st half of 2018 as compared to the analogous 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.

Steel Sheets Segment

Electrical Sheets Segment embraces the sales of electrical transformer sheets and cores pursued by Stalprodukt S.A., and also sales of transformer sheets pursued by GO Steel Frydek Mistek a.s.

The inclusion of the GO Steel Frydek Mistek a.s. Company in the Stalprodukt Group and starting to consolidate its results as with the Group's results as of 1 March 2018 had a decisive impact on the improvement of the sales figures and, consequently, the results of the Steel Sheets Segment in the 1st half of 2018. In effect, the Segment's sales increased by PLN 121 576 thousand, i.e. by 45.8 per cent in relation to the 1st half of 2017 accompanied by the sales volume increase by 33.6 per cent. The Segment's result increased almost 4-fold (from PLN 14.7 million to PLN 57.1 million). Additionally, in the 1st half of 2018, an increase of prices was recorded in relation to the comparable period. The above stands in accordance with the Company's prior expectations as to the improved market conditions and improved Segment's efficiency in the 1st half of 2018.

Profiles Segment

The Profiles Segment embraces the sales of cold formed profiles (tubes and sections) road safety barriers and hot-rolled and cold-rolled steel sheets and strips (products of steel service centers). These activities are pursued by the Stalprodukt S.A. production plants localized in Bochnia, Kraków and Tarnów.

The Profiles Segment recorded increased sales volumes by 1.6 % in relation to the 1st half of 2017. At the same time, the Segments sales reached the level of PLN 383 983 thousand, which accounts for their increase by PLN 24 056 thousand, i.e. by 6.7 %. This was, primarily, caused by the increase of the Segment's products' prices and the higher sales share of the Segment's more expensive products, such as crash barriers. The sales of the products offered by steel service centers, which decreased by almost 35 per cent compared to the 1st half of 2017, had a negative impact on the sales proceeds of the Profiles Segment. The Segment concerned recorded a relatively low result (PLN 3 342 thousand), which accounts for the decrease of the profit margin from 5.6 per cent to 0.9 per cent. However, it should be stressed that, as opposed to the last two quarters of 2017, the Profiles Segment did not record a loss.

Analyzing the market condition for the products of the Profiles Segment, the Company stresses that the maintained negative proportion of the charge material prices to the finished product prices adversely affected the Segment's results.

Group's Other Activities Segment

The Group's Other Activities Segment embraces the sales of goods and services rendered by the following entities: STP Elbud Sp. z o.o., Cynk-Mal S.A., Stalprodukt-Zamość Sp. z o.o., Stalprodukt-Serwis Sp. z o.o., Stalprodukt-Wamech Sp. z o.o. and Stalprodukt-MB Sp. z o.o.

Also the sales of cold-rolled steel sheets, pursued by the GO Steel Frydek Mistek a.s Company, was included into this Segment (as of 1 March this year). Thanks to this, the total Segment's sales considerably increased in the 1st half of 2018 and amounted to PLN 178 052 thousand, which accounts for the increase by 78.2 per cent.

4. A concise description of the Issuer's important accomplishments or failures in the reporting period, including the list of the most important events relating to the Issuer

- On 28 February 2018 the purchase transaction was completed for 100% of shares of the GO Steel Frydek Mistek a.s. Company based in the Czech Republic (the agreement was signed on 15 December 2017). 1 March 2018 was marked as the control take-over day. Since that moment the Company has been subject to full consolidation.
Taking over the above company allowed for the strengthening of the Stalprodukt's position on the transformer sheets market through an abrupt increase of the production capacity by 50 per cent per year (i.e. up to 150 thousand tons per year). The transaction enabled the expansion of the Group's offer with cold rolled steel sheets. Stalprodukt also uses these for its own purposes. The purchase of GO Steel Frydek Mistek will also allow the Group to take advantage of the synergy effect, including among others: joint management of orders and purchases of charge material, joint management of product development and diversification of production – production of high grades in Bochnia, and conventional grades in Frydek Mistek.

- Stalprodukt introduced new operating rules into the steel products domestic sales network (mainly in respect of the cold formed profiles) pursuant to the agency agreement concluded with the subsidiary company, i.e. Stalprodukt-Centrostal Kraków. In the Management Board's opinion, these changes should result in the reduction of the domestic profiles sales network operating costs (changed rules governing the bonus calculation), and thereby increase its effectiveness. This is of particular importance in view of the acute competition governing the market for the producers of tubes and profiles producers (specially the imported ones).

5. Description of the basic threats and risks related to the remaining months of the reporting year

a) Risk of further decrease of zinc prices

The continued upward trend for zinc prices, maintained for over two years, abruptly reversed in February this year. Over a few months, the prices of this metal decreased by over 20%. Although such strong decreases do not have express fundamental reasons, the further maintenance of the downward trend might adversely affect the sales and results of the Segment concerned, and considering its significant importance for the consolidated results, also on the results of the entire Stalprodukt Capital Group. It should, however, be stressed that this unfavorable impact is being significantly reduced by the active hedging policy pursued by the companies from the ZGH "Bolesław" S.A. Capital Group.

b) Risk of reduced access to charge materials

The protective duties introduced by the European Union for the imports of steel products, including, among others, the hot-rolled steel sheets used as charge material by Stalprodukt in the production of its tubes and profiles, may limit the access to imported charge materials from such countries as the Ukraine or Russia, offered at competitive prices. The competitive, cheaper, imported finished products, based on cheaper raw materials, were one of the main reasons underlying the Company's decreasing market shares and profit margins in the operating segment concerned. However, it should be pointed out that this risk was partly reduced with the protection measures for steel products introduced by the European Commission on 17 July 2018., as the executory (EU) Commission Regulation No 2018/1013 was issued, imposing provisional protective measures in respect of selected steel products (the inquiry in the case was initiated by the European Commission on 26 March 2018 and initially covered 26 categories of steel products).

The above mentioned protective measures ultimately covered 23 categories of imported steel products, including the open and closed profiles produced by Stalprodukt. The main goal of the introduced solutions is to avoid the excessive imports of steel to the EU territory, expected as a consequence of the tariffs previously introduced by the United States pursuant to Section 232 of the "Trade Expansion Act" 1962.

c) Risk of declining demand for the Company's products

The sales of the Stalprodukt Group's products, in particular, the ones generated by the Steel Sheets Segment and Profiles Segment, is dependent on the general economic condition in Poland and in the European Union, as well as on the increase of steel consumption on the

European and global scale. The favorable economic condition in the EU and the high pace of economic development, accompanied by the (relatively) high, as planned in 2018, apparent steel consumption (from 2 to 3 percent globally and similarly in the EU) make Stalprodukt assess the risk as relatively low in the current year.

d) **New operating rules for the domestic steel profiles sales network**

The new operating rules governing the Stalprodukt Group's domestic sales network (cooperation with the Stalprodukt Centrostal Kraków Sp. z o.o. subsidiary company pursuant to an agency agreement) introduced at the beginning of July this year, may adversely affect the level of the tubes and profiles sales over a short time. However, in the long-term perspective, these changes should positively result in the reduction of the operating costs of the Stalprodukt's domestic sales network.

Other risks, characteristic of the Stalprodukt S.A. Capital Group's activities, were described in detail in the point entitled "Financial Instruments and Risk Management Assessment" of the Consolidated Semi-Annual Report.

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

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

7. Indication of the Shareholders, holding directly or indirectly through the subsidiary companies, at least 5% of the general number of votes at the Issuer's General Meeting as of the Semi-Annual Report's date of issue, as well as indication of changes in the shareholding structure in respect of the Issuer's substantial blocks of shares in the period pending from the submission day of the previous periodic report.

- a) **Shareholders entitled directly to at least 5% of the general number of votes at the General Meeting of Shareholders**
- STP Investment S.A. holding 1 829 319 shares, accounting for a 32.78 %-share in capital and 5 875 691 votes, accounting for 48.17 % of the total number of votes at the General Meeting of Shareholders,
 - Stalprodukt Profil S.A. holding 579 652 shares, accounting for 10.39 %-share in capital and 1 097 488 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.

In the period from the date of forwarding the previous periodical report, there were no changes in the ownership structure of significant issuer's share packages.

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

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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).

8. Compilation the Issuer's shareholding status or entitlements thereto exercised by the Issuer's managing or supervising officers as of the Semi-Annual Report's date of issue accompanied by the changes in the shareholding structure, in the period pending from the submission day of the previous periodic report, separately for each of the persons concerned

a) Managerial Officers

Name and surname	Updated number of shares of Stalprodukt S.A. (as of 30.06.2018)	Number of previously held shares of Stalprodukt S.A. (as of 31.03.2018)	Changes in the Issuer's Ownership Structure
Piotr Janeczek*	115 053	115 053	Did not occur
Józef Ryszka	504	504	Did not occur
Łukasz Mentel	100	100	Did not occur

* subject to item 7 b)

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b) Supervisory Officers

Name and surname	Updated number of shares of Stalprodukt S.A. (as of 30.06.2018)	Number of previously held shares of Stalprodukt S.A. (as of 31.03.2018)	Changes in the Issuer's Ownership Structure
Janusz Bodek	61 974	61 974	Did not occur

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

9. Indication of significant proceedings pending in court, agency proper for arbitration proceedings, or public administration agency, related to the liabilities or receivables of the Company or its subsidiary.

The significant proceedings pending in court is the case brought by Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. in Olkusz against the ZGH "Bolesław" S.A. Company for mining damages to be paid in the amount of PLN 64,015.224.00 (File No IX GC 99/14).

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.:

- 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,
- 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. Starting 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".

10. Information on a transaction or many transactions concluded by the Issuer or the Issuer's subsidiary with associated companies if such transactions were based on conditions other than market conditions.

The transactions with associated companies in the 1st half of 2018 are concerned with:

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

It should be stressed that these were typical and routine transactions, arising from the on-going operating activities and rendered on a continuous basis. These transactions are based on market conditions.

11. Information on credit or loan sureties or guarantees granted by the Issuer or the Issuer's subsidiary – jointly to one entity or a subsidiary controlled by the entity if the total value of the existing sureties or guarantees is significant.

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

12. Inne informacje, które zdaniem Emitenta są istotne dla oceny jego sytuacji kadrowej, majątkowej, finansowej, wyniku finansowego i ich zmian, oraz informacje, które są istotne dla oceny możliwości realizacji zobowiązań przez Emitenta

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

13. Czynniki, które w ocenie Emitenta będą miały wpływ na osiągnięte przez niego wyniki w perspektywie co najmniej kolejnego kwartału.

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

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

14. Composition of Management Board's and Supervisory Board

Management Board Composition

In the period from 1 January 2018 to 30 June 2018, the Stalprodukt Management Board was composed of:

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

Supervisory Board Composition

In the period from 1 January 2018 to 30 June 2018, the Stalprodukt Supervisory Board was composed of:

Janusz Bodek	- Chairman of the Supervisory Board
Sanjay Samaddar	- Vice-Chairman of the Supervisory Board
Magdalena Janeczek	- Secretary
Agata Sierpińska-Sawicz	- Member
Romuald Talarek	- Member

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from 1.01.2018 to 30.06.2018**

The present Report on the Activities of the Stalprodukt S.A. Capital Group was approved for publication by the parent company's Management Board on 30.08.2018.

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Łukasz Mentel
Member of the Management Board
– Financial Director

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Józef Ryszka
Member of the Management Board
– Marketing Director

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