STALPRODUKT S.A.

Abridged Interim Consolidated Financial Report for the 3rd Quarter of 2018. Additional Information

Bochnia, November 2018

I. Introductory Information

1. The basic data

Apart from the parent company, the Stalprodukt S.A. Capital Group embraces 10 associated entities accounting for subsidiary companies, in which Stalprodukt holds 100% of shares, except for Zakłady Górniczo-Hutnicze "Bolesław", where it holds 94.92 % 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-equipment and forwarding services, production of dolomite aggregates, zinc products and zinc alloys,
  - Gradir Montenegro d.o.o. – zinc ores mining and concentrate production,
  - Agencja Ochrony Osób i Mienia "Karo" Sp. z o.o. – bodyguard and property security services,
  - PRD Olkusz Sp. z o.o. - construction and repair of roads (a subsidiary of Boltech Sp. z o.o). As of 6.11.2017 it was transformed into a joint stock company.
- trade activities:
  - Stalprodukt-Centrostal Kraków Sp. z o.o., managing the all-Poland sales network with department and trade offices in Gliwice, Włocławek, Wrocław, Szczecin and Radom,
  - Stalprodukt - Zamość Sp. z o.o.,
- other production- and services-related activities:
  - 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. Compared to the 3rd quarter of 2017, the capital of ZGH Bolesław S.A. increased to the level of 94.92 % towards the end of the 3rd quarter of 2018 in relation to 94.58 % achieved in the comparable period. 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.

2. 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.

3. 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%.

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

The presented Abridged Consolidated Financial Report was prepared in respect of the period from 1 July 2018 to 30 September 2018 with the use of the full consolidation method, considering all the Group's subsidiaries. The comparable data cover the period from 1 July 2017 to 31 September 2017 referring to the profit and loss account and the cash flow statement, the balance sheet values reflect the status as of 31 December 2017.

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

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

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

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

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

II. Accounting Principles (Policy)

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

   In the reporting period no essential amendments were introduced into the accounting standards (policy), except for the amendment referred to in item 4, nor any adjustments were made in respect of the fundamental errors and adopted estimated values which would have significantly affected the Group's property and liquidity standing and its financial result.

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

by the International Financial Reporting Standards Council, but not approved by the EU yet and so the same shall take effect at later dates.

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

3. The information contained in the Consolidated Financial Report was compiled in compliance with the principles pertaining to the assets and liabilities valuation and net financial result measurement, defined as of the balance sheet day, in compliance with IFRS adopted by the European Union and interpretations related thereto, announced in the form of the European Commission Regulations, with the principle of materiality observed.

4. In accordance with the above principles also the Issuer's separate report was prepared, incorporated into the present Report with a reservation concerning the change in the accounting policy related to the valuation and inventory costs calculation methods. Since 1 January 2018, the Company has used the weighted average cost method to replace the previously used FIFO „first in, first out" method. This change was caused by the launching of the IFS 9 IT system, full application of the production module along with the introduction of the full production orders' recording system. In the Issuer's assessment, the altered reporting principles will yield more reliable and more useful information about the transaction's impact on the financial standing and financial results through the more effective management of the supply chain and production process. For comparative purposes the present report features retrospective presentation of financial reports' results for the 1st half of 2017, using the new method of inventory costs calculation. 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
31.12.2017	-177	177	177	177
30.06.2017	769	-769	-769	-769
30.09.2017	-55	55	55	55

Estimated Values

- a deferred income tax reserve allowance was increased by the amount of PLN 1 988 thousand in connection with the occurrence of transitory positive differences,
- a provision for bad debt was formed amounting to PLN 140 thousand, while the one amounting to PLN 142 thousand was released,
- a provision for employee benefits was formed amounting to PLN 3 976 thousand, and the provision for employee benefits amounting to PLN 1 050 thousand was released,
- a provision for repairs was formed in the amount of PLN 1 500 thousand, while the one amounting to PLN 2 392 thousand was released,
- a provision for deteriorating profitability was formed in the amounting to PLN 2 400 thousand,
- a provision for electrical energy origin certificates and CO_2 emissions allowances was formed in the amount of PLN 7 508 thousand, and the one amounting to PLN 2 132 thousand was released,

III. Business Segments

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

Information on Operating Segments for 3rd quarter of 2018 (PLN thousand)

Itemization	Operating Segments				Total
	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	
Segment Revenues	233 258	192 179	501 476	92 450	1 019 363
Segment Costs	199 586	190 957	432 894	87 979	911 416
Segment Result	**33 672**	**1 222**	**68 582**	**4 471**	**107 947**
Other Operating and Financial Revenues Non-Attributable to the Segment					13 150
Other General, Operating and Financial Costs Non-Attributable to the Segment					42 307
Gross Profit					**78 790**
Income Tax					14 806
Net Profit					**63 984**

Segment Assets	974 201	781 431	2 167 514	360 375	4 283 521
Assets Non-Attributable to the Segment					25 317
Total Assets					4 308 838
Liabilities	286 788	296 620	639 419	102 135	1 324 962
Contingent Liabilities					296 115
Total Liabilities					1 621 077
Investment Outlays	1 906	408	65 594	8 376	76 284
Depreciation	8 367	4 209	20 654	4 453	37 683

Information on Operating Segments for 3rd quarter of 2017 (PLN thousand)

Itemization	Operating Segments				Total
	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	
Segment Revenues	133 233	190 640	519 809	62 624	906 306
Segment Costs	114 134	192 074	417 132	57 234	780 574
Segment Result	**19 099**	**-1 434**	**102 677**	**5 390**	**125 732**
Other Operating and Financial Revenues Non-Attributable to the Segment					1 513
Other General, Operating and Financial Costs Non-Attributable to the Segment					39 432
Gross Profit					**87 813**
Income Tax					18 342
Net Profit					**69 471**
Segment Assets	767 470	755 126	2 044 186	248 860	3 815 642
Assets Non-Attributable to the Segment					29 096
Total Assets					3 844 738
Liabilities	165 845	226 401	954 542	68 206	1 414 994
Contingent Liabilities					296 115
Total Liabilities					1 711 109
Investment Outlays	3 402	456	17 623	7 103	28 584
Depreciation	6 825	4 258	19 482	3 342	33 907

IV. Ocena uzyskanych wyników i sytuacja finansowa

In the 3rd quarter of 2018, compared to the analogical period of 2017, the Stalprodukt S.A. Capital Group recorded an increase of sales by PLN 113 057 thousand, i.e. by 12.5%. At the profit-on-sales level PLN 69 331 was achieved, compared to PLN 92 540 thousand generated in the 3rd quarter of 2017. In the 3rd quarter of 2018, the net profit amounted to PLN 63 984 thousand compared to PLN 69 471 thousand generated in the 1st quarter of 2017, which accounts for a 7,9 % decrease.

The Electrical Sheets Segment recorded the increase of transformer sheet sales volumes by 71.8 % compared to the 3rd quarter of 2017, accompanied by the increase of the Segment's sales by 75.1 %. The sales volume increase was largely caused by the consolidation of the GO Steel Frydek Mistek activities in the Segment. The 3rd quarter was the period devoted to the further adjustment of the Czech company's trade policy and harmonization of the prices. Additionally, in the 3rd quarter of 2018 an increase of prices was recorded in relation to the comparable period. The above stands in accordance with the Issuer's prior predictions concerning the improvement of the market conditions and Segment's effectiveness in 2018. The above mentioned factors resulted in the increase of the Segment's profit margin by PLN 14 573 thousand. At the same time, the Issuer points to the presence of the constant and considerable price pressure from the Segment's customers.

The Profiles Segment recorded a sales volume decrease in relation to the 3rd quarter of 2017 by 8.7 %. At the same time, the Segment achieved a sales increase by PLN 1 539 thousand, i.e. by 0.8 %. This primarily resulted from the increase of prices of the Segment's products and the higher sales share of its more expensive products, such as crash barriers. In relation to the comparable period, the Segment recorded a positive result. Analyzing the market conditions on the Profile Segment's market, the Issuer stresses that the maintained negative relation of the charge material prices to the prices of finished products and a significant increase of the imports, adversely affected the Segment's results. The Issuer underlines a considerable variability of the market, which is related to the overlapping and often contradictory factors, price policy adopted by steel works, or the commencement of the planned infrastructural investments within the new financial perspective. On 17 July 2018 the European Commission Implementing Regulation (EU) 2018/1013 was released, imposing provisional safeguard measures with regard to imports of certain steel products.

In the Issuer's opinion, the above solutions concerning the reduction of the 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 impact of the competition from the extra-EU countries, especially concerning the products of the Profiles Segment.

In the 3rd quarter of 2018 the Zinc Segment's net sales amounted to PLN 501 476 thousand and decreased by 3.5 % in relation to the comparable period in the previous year when the sales amounted to PLN 519 809 thousand.

The decrease of sales in the 3rd quarter of 2018 resulted from the considerable decrease of the London Metal Exchange prices of zinc, lead and silver. Whereas, the increase of the US dollar exchange rate partly levelled the effect of the price decrease in respect of the dollar-priced metals.

The prices for the basic metals bought by ZGH “Bolesław” S.A. were as follows:

3rd Quarter of 2017
Average LME zinc price: 2 963 USD/ton
Average LME lead price: 2 334 USD/ton
Average LME silver price: 16.8 USD/oz.
USD exchange rate: PLN 3.6251

3rd Quarter of 2018
Average LME zinc price: 2 539 USD/ton
Average LME lead price: 2 103 USD/ton
Average LBM silver price: 15 USD/oz.
USD exchange rate: PLN 3.7016

Converted to PLN, the base LME zinc price decreased by 12 %, from PLN 10 738 in the 3rd quarter of 2017 to PLN 9 410 in the present reporting period. The price of zinc determines over 83% of the turnover generated by ZGH and its subsidiary companies.

Converted to PLN, the base LME lead price decreased by 8 %, from PLN 8 460 in the 3rd quarter of 2017 to PLN 7 792 in the present reporting period. The price of lead determines approximately 5% of the turnover generated by ZGH and its subsidiary companies.

Het LBM silver basic reference price converted to PLN decreased by 9 % from 61.0 per ounce in the 3rd quarter of 2017 to PLN 55.6 per ounce in the analyzed period. The price of silver determines approximately 4% of the turnover generated by ZGH and its subsidiary companies.

The sales volume of zinc products in the 3rd quarter of 2018 was lower by 2% compared to the analogical period of the previous year. In the 3rd quarter of 2018, the refined lead sales volume remained at the comparable level. Whereas the sales volume of lead concentrates increased by 30%. The sales volume of silver decreased in the 3rd quarter of 2018 by 22,5 % in relation to the 3rd quarter of 2017.

In conclusion, the decrease sustained in the 3rd quarter of 2018 in relation to the comparable period of the previous year. The decrease of the LME zinc prices, as well as the decrease of the zinc and silver sales volumes resulted in the decrease of sales in the 3rd quarter of 2018 in relation to the comparable period of the previous year.

In turn, the 2% increase of the US dollar exchange rate and the resulting adjustment concerning the hedging transactions, slightly levelled the decrease. In effect, the Zinc Group sales decreased by only 3.5% in relation to the analogical period of the previous year.

At the same time, the increase of the operating costs resulted in the decrease of the Segment's profit margin from 19.75 % to 13.67 %. The increase of the manufacturing costs in the current period is mainly caused by:

- decrease of the Zn-Pb mining output, leading to the decrease of the concentrates production,
- the decrease of metallurgical production output,
- increase of the market prices for the purchased zinc-lead charge materials compared to the previous year (significant decrease of TC),
- increase of reductors' prices in the ISP process and the Waelz process (coke, coke breeze) and increase in gas prices.

V. Financial instruments and risk management assessment

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

As of 30 September 2018, the subsidiary companies belonging to the Zinc Segment were applying cash flow hedge accounting for commodity and currency swaps in accordance with the rules described in the Annual Report. As of 30 September 2018 they held the following hedging measures active (the connections have been planned for the period from October 2018 to May 2021):

1) currency

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
Active currency hedging instruments as of 30.09.2018 r.			**PLN thousand**		
Cash Flow Hedging	forward	$196 589 200,00	8 724	8 724	risk from USD/PLN exchange rates
Cash Flow Hedging	forward	€3 150 000,00	896	896	risk from EUR/PLN exchange rates

2) raw material

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
Active commodity hedging instruments as of 30.09.2018 (zinc)			**PLN thousand**		
Cash Flow Hedging	swap	24 225	16 930	16 930	Price Change Risk Zn LME PLN
Cash Flow Hedging	swap (USD)	62 150	32 872	32 872	Price Change Risk Zn LME USD
Cash Flow Hedging	option strategies (collar)	11 500	3 152	2 845	Price Change Risk Zn LME
Cash Flow Hedging	put	5 750	6 064	3 216	Price Change Risk Zn LME
Cash Flow Hedging	call	5 750	-2 912	-371	Price Change Risk Zn LME
Active commodity hedging instruments as of 30.09.2018 (lead)			**PLN thousand**		
Cash Flow Hedging	swap	4 100	4 851	4 851	Price Change Risk Pb LME PLN
Cash Flow Hedging	swap (USD)	750	191	191	Price Change Risk Pb LME USD
Cash Flow Hedging	option strategies (collar)	3 000	1 753	1 587	Price Change Risk Pb LME
Cash Flow Hedging	put	1 500	1 880	1 587	Price Change Risk Pb LME
Cash Flow Hedging	call	1 500	-127	0	Price Change Risk Pb LME

Explanations Referring to Balance Sheet Items Related to Derivative Instruments

Explanation Referring to the Item: Other long- and Short-Term Investments	PLN thousand	
	30.09.2018	**30.09.2017**
Long-Term investments	57 748	29 278
Short-Term Investments	104 785	100 387
TOTAL, including:	**162 533**	**129 665**
a) valuation of derivative transactions	109 302	58 430
b) securities	53 231	71 235

Explanation to Item: Liabilities pertaining to hedging instruments	PLN thousand	
	30.09.2018	**30.09.2017**
Contracts for Hedging Transactions	11 318	96 692
Conclusions of Currency Option Transactions	24 993	205 969
Adjustment pertaining to the amount resulting from the closed transactions settlements with brokers	420	-14 675
TOTAL	**36 731**	**287 986**

Valuation of Derivative Transactions

Valuation of Derivative Transactions	PLN thousand			
	30.09.2018		30.09.2017	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Commodity Transactions - Zinc	80 261	22 147	4 890	271 455
Commodity Transactions - Lead	6 922	129	201	14 925
Currency Transactions - USD/PLN EUR/PLN	22 119	14 455	53 190	1 606
Commodity Transactions- Silver	0	0	149	0
Total	**109 302**	**36 731**	**58 430**	**287 986**

Division of Hedging Instruments

Division of Hedging Instruments	PLN thousand			
	30.09.2018		30.09.2017	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Hedging Instruments	**103 425**	**34 058**	**53 985**	**279 691**
Commodity Transactions - zinc	74 667	21 713	3 650	263 578
Commodity Transactions - lead	6 923	128	201	14 927
Currency Transactions - USD/PLN, EUR/PLN	21 835	12 217	49 985	1 186
Commodity Transactions - Silver	0	0	149	0
Trade Instruments	**5 877**	**2 673**	**4 445**	**8 295**
Commodity Transactions- zinc	5 593	434	1 240	7 876
Commodity Transactions - lead	0	0	0	0
Currency Transactions - USD/PLN, EUR/PLN	284	2 239	3 205	419
Commodity Transactions - silver	0	0	0	0
Total	**109 302**	**36 731**	**58 430**	**287 986**

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	
	30.09.2018	30.09.2017
Sales of Products Adjustment	*-64 986*	*-104 617*
Sales of Goods Adjustments	*0*	*0*
Revaluation of Investments	*3 495*	*7 574*
Gains/Loss on Sale of Investments	*-1 193*	*5 197*
Total	**-62 684**	**-91 846**

Cash Result from Reconciliation of Derivative Instruments:	PLN thousand	
	30.09.2018	30.09.2017
Commodity Transactions	*-100 845*	*-114 844*
Currency Transactions	*21 621*	*18 369*
Total	**-79 224**	**-96 475**

Sales of Products Adjustment Related to Application of Hedging Instruments:	PLN thousand	
	30.09.2018	30.09.2017
Sales Increase	*38 206*	*31 839*
Sales Decrease	*-103 192*	*-136 456*
TOTAL	**-64 986**	**-104 617**

Status of Capital from Revaluation Related to Application of Hedge Accounting (excluding Deferred Tax)	PLN thousand	
	30.09.2018	30.09.2017
Valuation of Open Hedging Instruments:	**68 895**	**-224 499**
- Zn	*52 647*	*-258 909*
- Pb	*6 629*	*-14 541*
- USD/PLN	*8 723*	*47 312*
- Ag	*896*	*149*
- EUR/PLN	*0*	*1 490*
Result from the Application of Hedging Instruments Capital-Retained until the Realization of the Hedged Item:	**-33**	**-3 180**
- Zn	*-33*	*-3 122*
- Pb	*0*	*-58*
- USD/PLN		*0*
TOTAL	**68 862**	**-227 679**

VI. Other Information

1. In the 3rd quarter of 2018, the Capital Group did not experience any seasonality consequences. During the reporting period no other positions were recorded, significantly affecting the assets, liabilities, equity, net profit or cash flow, which would be untypical in terms of their kind, volume/size or frequency.
2. As of the balance sheet day, the Stalprodukt S.A. Capital Group holds the below mentioned off-balance-sheet contingent liabilities:
   - guarantees of good workmanship concerning the production and assembly of road barriers totaling PLN 22 252 thousand, and endorsement of a blank promissory note amounting to PLN 13 000 thousand, issued by STP Elbud Sp. z o.o. in order to secure the investment credit granted by Bank Pekao S.A.,

- guarantees and sureties (avals) granted by ZGH “Bolesław” amounting to PLN 1 547.5 thousand,
- ZGH “Bolesław” S.A. issued a bill of exchange in connection with the agreement concluded with the National Center for Research and Development, amounting to PLN 38.8 million (wash tubs hall investment project) for subsidizing the project within the Intelligent Development operating program (Number of Agreement POIR.01.01.02-00-0159/16-00),
- no hedging’s securing the financing banks in respect of the signed credit agreements, which were disclosed in the 2017 report, were subject to change.

3. The Issuer does not publish result forecasts.
4. The pending bankruptcy and composition proceedings cover the Group's receivables totaling PLN 4 976 thousand, wherein Stalprodukt's share amounts to PLN 743 thousand and ZGH “Bolesław”'s - PLN 4 233 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 01.07.2018 to 30.09.2018 and in the comparable period from 01.07.2017 to 30.09.2017 is presented in the Table below.

Items the 3rd quarter of 2018	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-MB sp. z o.o.	36	1 630	274	1 290
Stalprodukt-Wamech sp. z o.o.	134	1 886	323	2 517
Stalprodukt-Centrostal sp. z o.o.	53	6	128	24 369
Stalprodukt-Serwis sp. z o.o.	64	1 069	158	1 335
Stalprodukt-Zamość sp. z o.o.	1 891	122	3 126	157
Stalprodukt-Ochrona sp. z o.o.	20	918	48	1 148
STP Elbud sp. z o.o.	531	5 524	916	8 151
Anew Institute sp. z o.o.				476
ZGH "Bolesław" S.A.		21		111
Cynk-Mal S.A.	8 204		9 191	2 801
GO STEEL Frydek Mistek a.s.	35 516	2 347	54 152	5 578

Moreover, in the 3rd quarter of 2018 transactions were concluded with the companies in which the Company holds shares: Stalnet Sp. z o.o.- revenue PLN 12 thousand, costs PLN 81 thousand; receivables PLN 5 thousand, liabilities PLN 33 thousand; Stalprodukt-Profil S.A. revenue PLN 8 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 3rd quarter of 2017	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-MB sp. z o.o.	24	1 536	80	961
Stalprodukt-Wamech sp. z o.o.	130	1 652	323	1 985
Stalprodukt-Centrostal sp. z o.o.	66 819	119	86 617	245
Stalprodukt-Serwis sp. z o.o.	64	2 036	156	2 362
Stalprodukt-Zamość sp. z o.o.	92	112	213	162
Stalprodukt-Ochrona sp. z o.o.	19	802	48	954
STP Elbud sp. z o.o.	283	3416	573	5 202
Anew Institute sp. z o.o.		310		1 310
ZGH "Bolesław" S.A.		20		69
Cynk-Mal S.A.	8 578		6 252	1 143

9. In the reporting period the Group made investment outlays on the purchase and formation of tangible fixed assets amounting to PLN 76 284 thousand. No significant fixed asset components have been disposed of during the reporting period.

10. On 15.06.2011 Bolesław Recycling Sp. z o.o. concluded a loan agreement with the National Fund for Environmental Protection and Water Management in Warsaw No 243/2011/Wn-06/OZ-UK/P granted for the investment project "Expansion of the Rolldown Furnaces Plant in Bolesław Recycling Sp. z o.o". The predicted cost of the project implementation was PLN 62 600 000 , and the maximum loan amount was PLN 29 332 500. The Company achieved both the material and environmental effect of the undertaking. After the acquisition of Bolesław Recycling Sp. z o.o., ZGH "Bolesław" S.A. took over all the rights and obligations arising from the above mentioned agreement. As all the conditions for the remission of the loan were fulfilled on 06.08.2018, the Company applied for the remission of the loan amount remaining for repayment as of that day amounting to PLN 7 915 550. On 17.09.2018 the National Fund for Environmental Protection and Water Management in Warsaw decided to grant the remission.

11. On 13.06.2013, the Issuer's subsidiary company, i.e. ZGH „Bolesław" S.A., brought action in the Regional Court of Kraków against Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o. („PWiK sp. z o.o.") *Water and Sewage Management Institution* in Olkusz for establishing that ZGH "Bolesław" S.A. shall not be liable for damages to the defendant, regardless of whether tort or contractual liability applies, in respect of the lack of water supply resulting from the mine dewatering condition following the mine's liquidation and that the same shall not be not liable for the pollution of the existing or former PWiK sp. z o.o. potable water intakes. On 24.02.2014 a lawsuit was filed by the PWiK Sp. z o.o. in Olkusz, against ZGH "Bolesław" S.A., wherein the PWiK Sp. z o.o. demanded:

– Payment of compensation for mining damages amounting to PLN 64 015 224;
– Potential order of restitution to the previous condition, obligating ZGH „Bolesław" S.A. to supply potable and utility water to the population
– Potential order making ZGH „Bolesław" S.A. file a declaration of intent to express their consent for PWiK Sp. z o.o. to supply water in lieu of ZGH "Bolesław" S.A.

On 25.04.2018, the Regional Court of Kraków, 9th Economic Department (joint case file No IX GC 543/13) issued judgements in both of the above mentioned cases:

a) In the case brought by the Company against PWiK sp. z o.o. in Olkusz the court issued a judgement in which the complaint was dismissed.
b) In the case brought by PWiK sp. z o.o. in Olkusz against the Company for the payment of the mining damages the court issued a preliminary judgement accepting the claim filed by PWiK sp. z o.o. in Olkusz as justified in principle. The potential amount of the damages shall be subject to further proceedings and

may reach the maximum level of PLN 64 million. In connection with the referenced lawsuit the ZGH „Bolesław" S.A. Company had formed a provision amounting to PLN 15 million already in 2015.

Both judgements are not final and absolute yet. In accordance with the earlier declaration, on 08.10.2018, the ZGH "Bolesław" S.A. Company appealed against both of the judgements to the Appeal Court of Kraków, 1st Civil Department, with the intermediation of the Regional Court of Kraków.

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".

12. 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.
13. 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.

14. 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.
15. Neither the Issuer nor its Capital Group's entities issued, redeemed or paid any debt or other capital securities, apart from the ones referred to herein.
16. During the reporting period and within the submission of the present quarterly report, neither the Parent Company, nor its subsidiaries, granted any sureties, loans, credits or guaranties, apart from the ones referred to herein.
17. In the Issuer's assessment, the factors likely to affect the Group's results at least in the perspective of the coming quarter, shall be:
    - fluctuations of charge prices and demand for Stalprodukt's products,
    - fluctuations of the LME zinc and lead prices and LBM silver prices ,
    - fluctuations of currency exchange rates.
18. During the reporting period and following 30.09.2018 until the preparation of the Abridged Consolidated Report for the 3rd quarter 2018 no other important events took place, apart from the ones mentioned herein, which might significantly affect the Group's standing and its financial results. The Issuer does not possess any other information, which, in his opinion, is essential for the assessment and changes in the

Group's staffing level, assets structure and financial standing, or information essential for the assessment of its potential capacity to settle the liabilities incurred.

19. Pursuant to par. 62, subpar. 1 of the Regulation of the Minister of Finance as of 29.03.2018 on current and periodic information to be disclosed by issuers of securities and conditions for recognizing as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws 2018, item 757 with subsequent amendments), the Issuer does not submit its separate quarterly report. This Report constitutes a supplement to the Abridged Consolidated Report rendered as the "Stalprodukt S.A. Mid-Year Abridged Financial Report for the 3rd Quarter of 2018".
20. No additional information was appended to the Abridged Consolidated Financial Report for the 3rd quarter of 2018 as, during the reporting period, no other events, concerning the separate report, took place, apart from the ones referred to herein.
21. This Abridged Consolidated Financial Report for the 3rd quarter of 2018 was approved for publication by parent Company's Management Board on 13.11.2018.

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Łukasz Mentel	Józef Ryszka
Member of the Management Board – Financial Director	Member of the Management Board – Marketing Director

…………………………………….

Piotr Janeczek

President of the Management Board – CEO