



The Stalprodukt S.A. Capital Group

Consolidated Financial Report for accounting year 2016

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

Bochnia, April 2016

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Consolidated Financial Report for the 1st half of 2016

Selected Financial Data

SELECTED FINANCIAL DATA	thousand x PLN		thousand x EURO	
	1st half 2016 increasingly for the period from 01-01-2016 to 30-06-2016	1st half 2015 increasingly for the period from 01-01-2015 to 30-06-2015	1st half 2016 increasingly for the period from 01-01-2016 to 30-06-2016	1st half 2015 increasingly for the period from 01-01-2015 to 30- 06-2015
I. Net sales of products, goods and materials	1 490 943	1 544 570	340 359	373 617
II. Operating profit (loss)	216 779	147 475	49 487	35 673
III. Profit (loss) before taxation	234 086	138 954	53 438	33 612
IV. Net profit (loss)	189 238	108 434	43 200	26 229
- attributable to shareholders of the parent company	180 176	102 289	41 131	24 743
- net profit attributed to non-controlling interests	9 062	6 145	2 069	1 486
V. Net cash flow from operating activities	169 464	126 952	38 686	30 708
VI. Net cash flow from investments activities	-132 067	-80 368	-30 149	-19 440
VII. Net cash flow from financial activities	-130 806	4 575	-29 861	1 107
VIII. Total net cash flow	-93 409	51 159	-21 324	12 375
IX. Total assets	3 368 910	3 305 746	761 250	775 724
X. Liabilities and provisions for liabilities	1 443 480	1 255 843	326 173	294 695
XI. Long-term liabilities	401 303	397 637	90 680	93 309
XII. Short-term liabilities	696 735	534 850	157 436	125 507
XIII. Shareholders' equity	1 925 430	2 049 903	435 076	481 029
- equity attributable to shareholders of the parent company	1 840 033	1 964 302	415 780	460 941
- equity attributed to non-controlling interests	85 397	85 601	19 296	20 087
XIV. Share capital	11 161	13 450	2 522	3 156
XV. Number of shares	5 580 267	6 725 000	5 580 267	6 725 000
XVI. Profit (loss) for one ordinary share (in PLN)	33,91	16,29	7,74	3,94
Diluted profit (loss) per ordinary share (PLN)				
XVII. Book value per share (PLN)	345,04	304,82	77,97	71,53
Diluted book value per share (PLN)				
XVIII. Declared or paid-out dividend for one share in(PLN/EUR)	3,00	2,00	0,68	0,48

- Comparable financial data (item IX-XIV and XVIII) was presented pursuant to the requirements of the International Financial Reporting Standards according to the balance for this 31st December 2015. Other comparable data is presented for the period from 1st January 2015 to 30th June 2015.
- 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 2016 and amounting to PLN 4.4255 and PLN 4.2615 for this 31st December 2015.
 - 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 4.3805 for 1st half 2016 and PLN 4.1341 for 1st half of 2015.
- For profit-per-share calculation the number of 5,580,267 shares was adopted.

Consolidated Financial Report for the 1st half of 2016

[Abridged Consolidated Financial Report for 1st half of 2016](#)

Consolidated balance sheet for 30.06.2016

CONSOLIDATED BALANCE SHEET	thousand x PLN	
	30.06.2016	30.06.2016
Assets		
I. Fixed assets	1 961 763	1 983 072
1. Intangible fixed assets, including:	133 077	135 652
- right of perpetual land use	83 453	82 058
2. Tangible fixed assets	1 736 534	1 736 547
3. Long-term receivables	1 599	319
4. Long-term investments	50 263	69 232
4.1. Real estate	4 112	4 613
4.2. Intangible assets		
4.3. Long-term financial assets	44 998	41 186
4.5. Other long-term investments	1 153	23 433
5. Long-term prepayments	40 290	41 322
5.1. Deferred income tax assets	29 507	30 619
5.2. Other prepayments	10 783	10 703
II. Current assets	1 407 147	1 322 674
1. Inventories	581 055	465 337
2. Short-term receivables	482 251	433 077
3. Short-term investments	314 394	403 696
3.1. Short-term financial assets	213 652	307 969
a) loans	39 399	40 307
b) short-term securities		857
c) cash and cash equivalents	174 253	267 662
3.2. Other short-term investments	100 742	95 727
4. Short-term prepayments	29 447	20 564
Total assets	3 368 910	3 305 746
Liabilities		
I. Shareholders' equity	1 925 430	2 049 903
1. Equity attributable to shareholders of the parent company	1 840 033	1 964 302
1.1. Share capital	11 161	13 450
1.2. Own shares (stocks) (negative value)		
1.3. Reserve capital	371 454	268 443
1.4. Reserve capital from revaluation	-41 534	69 287
1.5. Other reserve capital	1 376 022	1 432 544
1.6. Retained earnings (losses)	-57 246	-38 490

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1.7. Net profit (loss)	180 176	219 068
2. Capital non-controlling interests	85 397	85 601
II. Liabilities and provisions for liabilities	1 443 480	1 255 843
1. Provisions for liabilities	327 557	306 146
1.1. Provision for deferred income tax	89 720	84 584
1.2. Other provisions	237 837	221 562
a) long-term	147 858	147 950
b) short-term	89 979	73 612
2. Long-term liabilities	401 303	397 637
2.1. Long-term credits and loans	78 290	84 272
2.2. Other long-term liabilities	26 898	17 250
2.3. Contingent liabilities due to the purchase of ZGH	296 115	296 115
3. Short-term liabilities	696 735	534 850
3.1. Short-term credits and loans	147 331	91 086
3.2. Current part of long-term credits and loans	20 000	20 000
3.3. Trade liabilities	316 428	243 879
3.4. Income tax liabilities	23 940	34 587
3.5. Other short-term liabilities	189 036	145 298
4. Accruals	17 885	17 210
Total liabilities	3 368 910	3 305 746
Book value	1 925 430	2 049 903
Number of shares	5 580 267	6 725 000
Book value per share (PLN)	345,04	304,82

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Consolidated profit and loss account for the period 01.01.2016 -30.06.2016

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the period	thousand x PLN	
	1st half 2016 increasingly for the period from 01-01-2016 to 30- 06-2016	1st half 2015 increasingly for the period from 01-01-2015 to 30- 06-2015
I. Net sales of products, goods and materials, including:		
	1 490 943	1 544 570
1. Net sales of products	1 450 789	1 496 943
2. Net sales of goods and materials	40 154	47 627
II. Costs of products, merchandise and materials sold, including:		
	1 166 451	1 283 578
1. Production cost of products sold	1 133 469	1 238 581
2. Value of goods and materials sold	32 982	44 997
III. Gross profit (loss) on sales	324 492	260 992
IV. Selling costs	35 193	40 498
V. General and administrative costs	63 069	63 212
VI. Profit (loss) on sales	226 230	157 282
VII. Other operating incomes	9 311	7 332
VIII. Other operating costs	18 762	17 139
IX. Operating profit (loss)	216 779	147 475
X. Financial incomes	22 137	6 541
XI. Financial costs	4 817	15 062
XII. Profit from shares in associated entities	-13	
XIII. Profit (loss) before taxation	234 086	138 954
XIV. Income tax	44 848	30 520
XV. Net profit (loss)	189 238	108 434
1. Attributable to shareholders of the parent company	180 176	102 289
2. Attributed to non-controlling interests	9 062	6 145
Profit (loss) net	189 238	108 434
Weighted average number of ordinary shares	5 580 267	6 655 267
Profit (loss) for one ordinary share (in PLN)	33,91	16,29

Consolidated Financial Report for the 1st half of 2016

Total comprehensive consolidated income for the period 01.01.2016-30.06.2016

Total comprehensive consolidated income	thousand x PLN	
	1st half 2016 increasingly for the period from 01-01-2016 to 30- 06-2016	1st half 2016 increasingly for the period from 01-01-2016 to 30- 06-2016
Net result	189 238	108 434
Gain from a bargain purchase		
Total Comprehensive Income	189 238	108 434
Total comprehensive income attributable to the parent company shareholders	180 176	102 289
Total comprehensive income attributed to non-controlling interests	9 062	6 145

Consolidated Financial Report for the 1st half of 2016

Statement of changes in consolidated equity for the period 01.01.2016 – 30.06.2016

Statement of changes in equity for the period from 1st January to 30th June 2016 and 2015	thousand x PLN								
	Share capital	Own shares	Reserve capital	Capital from revaluation	Other reserve capital	Retained profits	Current year net profit	Capital non-controlling interests	Equity TOTAL
Balance on this 1.01.2016 (opening balance)	13 450		268 443	69 287	1 432 544	180 578		85 601	2 049 903
Profit distribution			93 988		123 909	-217 897			0
Financing the purchase of the Company's own, shares subject to redemption					-177 716				-177 716
Valuation of hedging transactions				-107 655					-107 655
Intercapital and consolidation transfer			9 023	-3 166	-2 715	-1 774		-9 266	-7 898
Dividend						-18 153			-18 153
Redemption of own shares	-2 289								-2 289
Total comprehensive income for period 1.01 - 30.06.2016							180 176	9 062	189 238
Balance on this 30.06.2016 (closing balance)	11 161		371 454	-41 534	1 376 022	-57 246	180 176	85 397	1 925 430
Balance on this 1.01.2015 (opening balance)	13 450	-140	180 606	4 592	1 461 024	80 374		106 744	1 846 650
Profit distribution			65 339		45 730	-111 069			0
Intercapital and consolidation transfer			-1 429	17 417	13 393	18 352		-14 003	33 730
Dividend						-13 664			-13 664
Total comprehensive income for period 1.01- 30.06.2015							102 289	6 145	108 434
Balance on this 30.06.2015 (closing balance)	13 450	-140	244 516	22 009	1 520 147	-26 007	102 289	98 886	1 975 150

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Consolidated cash flow account for the period 01.01.2016-30.06.2016

CONSOLIDATED CASH FLOW ACCOUNT for the period	thousand x PLN	
	1st half 2016 increasingly for the period from 01-01-2016 to 30- 06-2016	1st half 2016 increasingly for the period from 01-01-2016 to 30- 06-2016
A. Cash flow from operational activity - indirect method	169 464	126 952
I. Net profit (loss)	189 238	108 434
II. Total adjustments	-19 774	18 518
1. Net profit share of entities – valuation with equity method		
2. Depreciation	71 449	71 475
3. (Profit) loss from exchange rate fluctuations	51	456
4. Interest and profit share (dividends)	3 000	3 452
5. (Profit) loss on investment activities	-10 652	9 232
6. Change in reserves	21 411	22 479
7. Change in inventories	-115 718	28 561
8. Change in receivables	-49 174	-46 975
9. Change in short-term liabilities except for loans and credits	65 127	-55 472
10. Change in accruals	-8 208	-11 871
11. Other adjustments	2 940	-2 819
III. Net cash flow from operating activities	169 464	126 952
B. Cash flow from investment activity	-132 067	-80 368
I. Inflows	76 687	5 441
1. Sales of intangible and tangible fixed assets	1 522	1 052
2. Sales of real estate properties and intangible assets		
3. From financial assets, including:	75 165	4 388
- financial assets sold	74 840	4 093
- dividends and profit share received		2
- repayment of long-term loans granted		
- interest received	325	293
- other inflows from financial assets		
4. Other investment inflows		1
II. Outflows	-208 754	-85 809
1. Purchase of intangible and tangible fixed assets	-61 994	-59 333
2. Real estate property and intangible assets		
3. To financial assets, including:	-121 410	-26 401
- financial assets purchased	-121 410	-26 401
- long-term loans granted		

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4. Other investment outflows	-25 350	-75
III. Net cash flow from investment activities	-132 067	-80 368
C. Cash flow from financial activity	-130 806	4 575
I. Inflows	88 990	33 044
1. Net inflows from issue of shares, other capital instruments and		
2. Credits and loans	88 682	33 044
3. Issue of debentures		
4. Other financial inflows	308	
II. Outflows	-219 796	-28 469
1. Purchase of own shares	-179 150	
2. Dividends and other dues paid to shareholders		
3. Outflows from profit distribution, other than dues paid to		
4. Credits and loans repaid	-31 810	-20 478
5. Redemption of debentures		
6. From other financial liabilities	-3 367	-3 367
7. Contractual payments of financial leasing dues	-1 193	-876
8. Interest paid	-3 628	-3 748
9. Other financial outflows	-648	
III. Net cash flow from financial activities	-130 806	4 575
D. Total net cash flow	-93 409	51 159
E. Balance sheet change in cash, including:	-93 409	51 159
F. Cash (beginning of period)	267 662	169 010
G. Cash (end of period), including:	174 253	220 169
- of limited access and disposal		

Abridged Financial Report for the 1st half of 2016

Selected Financial Data

Selected Financial Data	thousand x PLN		thousand x	
	1st half 2016 increasingly for the period from 01-01-2016 to 30- 06-2016	1st half 2015 increasingly for the period from 01-01-2015 to 30- 06-2015	1st half 2016 increasingly for the period from 01-01-2016 to 30- 06-2016	1st half 2015 increasingly for the period from 01-01-2015 to 30- 06-2015
I. Net sales of products, goods and	645 350	674 274	147 323	163 101
II. Operating profit (loss)	97 616	57 780	22 284	13 976
III. Profit (loss) before taxation	95 788	56 307	21 867	13 620
IV. Net profit (loss)	77 058	48 456	17 591	11 721
V. Net cash flow from operating activities	104 369	26 483	23 826	6 406
VI. Net cash flow from investment	-5 435	-15 670	-1 241	-3 790
VII. Net cash flow from financial activities	-100 279	-14 246	-22 892	-3 446
VIII. Total net cash flow	-1 345	-3 433	-307	-830
IX. Total assets	1 912 673	1 871 923	432 194	439 264
X. Liabilities and provisions for liabilities	479 658	317 808	108 385	74 577
XI. Long-term liabilities	10 000	20 000	2 260	4 693
XII. Short-term liabilities	418 252	253 054	94 510	59 381
XIII. Shareholders' equity	1 433 015	1 554 115	323 809	364 687
XIV. Share capital	11 161	13 450	2 522	3 156
XV. Number of shares	5 580 267	6 725 000	5 580 267	6 725 000
XVI. Profit (loss) per ordinary share (PLN)	13,81	7,28	3,15	1,76
Diluted profit (loss) per ordinary share				
XVII. Book value per share (PLN)	256,80	231,10	58,03	54,23
Diluted book value per share (PLN)				
XVIII. Declared or paid-out dividend for one share in (PLN/EUR)	3,00	2,00	0,68	0,48

- 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 2015. Other comparable data is presented for the period from 1st January 2015 to 30th June 2015.
- 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 2016 and amounting to PLN 4.4255 and PLN 4.2615 for this 31st December 2015.
 - 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 4.3805 for 1st half 2016 and PLN 4.1341 for 1st half of 2015.
- For profit-per-share calculation the number of 5,580,267 shares was adopted.

Consolidated Financial Report for the 1st half of 2016

Balance sheet for 30.06.2016

BALANCE SHEET	thousand x PLN	
	31.06.2016	31.12.2015
Assets		
I. Fixed assets	1 386 228	1 404 663
1. Intangible fixed assets, including	42 383	43 137
- right of perpetual land use	36 080	36 080
2. Tangible fixed assets	847 124	863 910
3. Long-term receivables		
4. Long-term investments	495 859	495 647
4.1. Real estate investments	98 611	99 993
4.2. Intangible assets		
4.3. Long-term financial assets	397 248	395 654
4.4. Other long-term investments		
5. Long-term prepayments	862	1 969
5.1. Deferred income tax assets	862	1 969
5.2. Other prepayments		
II. Current assets	526 445	467 260
1. Inventories	257 453	224 308
2. Short-term receivables	238 024	214 444
- including trade receivables in excess of 1 year	1 247	1 752
3. Short-term investments	19 960	21 513
3.1. Short-term financial assets	19 312	21 513
a) loans	1 000	1 000
b) short-term securities		856
c) cash and cash equivalents	18 312	19 657
3.2. Other short-term investments	648	
4. Short-term prepayments	11 008	6 995
Total assets	1 912 673	1 871 923
Liabilities		
I. Shareholders' equity	1 433 015	1 554 115
1. Share capital	11 161	13 450
2. Own shares (stakes) (negative value)		
3. Reserve capital	104 184	104 184
4. Reserve capital from revaluation		3 166
5. Other reserve capital	1 240 612	1 324 654
6. Retained earnings (losses)		
7. Net profit (loss)	77 058	108 661
II. Liabilities and provisions for liabilities	479 658	317 808

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1. Provisions for liabilities	45 806	39 530
1.1. Provision for deferred income tax	38 160	33 439
1.2. Other provisions	7 646	6 091
a) long-term	5 256	5 201
b) short-term	2 390	890
2. Long-term liabilities	10 000	20 000
2.1. Long-term credits and loans	10 000	20 000
2.2. Other long-term liabilities		
3. Short-term liabilities	418 252	253 054
3.1. Short-term credits and loans	128 648	37 406
3.2. Current part of long-term credits and loans	20 000	20 000
3.3. Trade liabilities	208 193	155 608
- including trade receivables in excess of 1 year	1 694	2 547
3.4. Income tax liabilities	12 968	14 876
3.5. Other short-term liabilities	48 443	25 164
4. Accruals	5 600	5 224
Total liabilities	1 912 673	1 871 923
Book value	1 433 015	1 554 115
Number of shares	5 580 267	6 725 000
Book value per share (PLN)	256,80	231,10

Consolidated Financial Report for the 1st half of 2016

Profit and loss account for the period 01.01.2016-30.06.2016

PROFIT AND LOSS ACCOUNT for the period	thousand x PLN	
	1st half 2016 increasingly for the period from 01-01- 2016 to 30-06-2016	1st half 2015 increasingly for the period from 01-01-2015 to 30- 06-2015
I. Net sales of products, goods and materials,	645 350	674 274
1. Net sales of products	624 725	646 484
2. Net sales of goods and materials	20 625	27 790
II. Costs of products, goods and materials sold,	512 654	578 229
1. Production cost of products sold	492 557	549 575
2. Value of goods and materials sold	20 097	28 654
III. Gross profit (loss) on sales	132 696	96 045
IV. Selling costs	16 686	20 028
V. General and administrative costs	17 774	17 318
VI. Profit (loss) on sales	98 236	58 699
VII. Other operating incomes	4 374	645
VIII. Other operating costs	4 994	1 564
IX. Operating profit (loss)	97 616	57 780
X. Financial incomes	717	1 300
XI. Financial costs	2 545	2 773
XII. Profit (loss) before taxation	95 788	56 307
XIII. Income tax	18 730	7 851
XIV. Net profit (loss)	77 058	48 456
Net profit (loss)	77 058	48 456
Weighted average number of ordinary shares	5 580 267	6 655 267
Profit (loss) per ordinary share (PLN)	13,81	7,28
Weighted average predicted number of ordinary shares		
Diluted profit (loss) per ordinary share (PLN)		

Total comprehensive income for the period 01.01.2016-30.06.2016

TOTAL COMPREHENSIVE INCOME for the period	thousand x PLN	
	1st half 2016 increasingly for the period from 01-01- 2016 to 30-06-2016	1st half 2016 increasingly for the period from 01-01- 2016 to 30-06-2016
Net result	77 058	48 456
Total Comprehensive Income	77 058	48 456

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Statement of changes in equity for the period 01.01.2016-30.06.2016

Statement of changes in equity for the period from 1st January to 30th June 2016 and 2015	thousand x PLN							
	Share capital	Own shares	Supplementary capital	Revaluation reserve	Other reserve capital	Retained profits	Current year net profit	Equity TOTAL
Balance on this 01.01.2016 (opening balance)	13 450		104 184	3 166	1 324 654	108 661		1 554 115
Profit distribution					90 508	-90 508		0
Intercapital transfer				-3 166	3 166			0
Dividend						-18 153		-18 153
Financing the purchase of the Company's own, shares subject to redemption					-177 716			-177 716
Redemption of own shares	-2 289							-2 289
Total comprehensive income for period 1.01 - 30.06.2016							77 058	77 058
Balance on this 30.06.2016 (closing balance)	11 161		104 184	0	1 240 612	0	77 058	1 433 015
Balance on this 01.01.2015 (opening balance)	13 450	-139	104 184	3 166	1 400 050	27 151		1 547 862
Profit distribution					13 487	-13 487		0
Intercapital transfer								
Dividend						-13 664		-13 664
Total comprehensive income for period 1.01 - 30.06.2015							48 456	48 456
Balance on this 30.06.2015 (closing balance)	13 450	-139	104 184	3 166	1 413 537	0	48 456	1 582 654

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Cash flow account for the period 01.01.2016-30.06.2016

CASH FLOW ACCOUNT for the period	thousand x PLN	
	1st half 2016 increasingly for the period from 01-01- 2016 to 30-06-2016	1st half 2016 increasingly for the period from 01-01-2016 to 30-06-2016
A. Cash flow from operating activities – indirect method	104 369	26 483
I. Net profit (loss)	77 058	48 456
II. Total adjustments	27 311	-21 973
1. Depreciation	25 707	23 446
2. (Profit) loss from exchange rate fluctuations		
3. Interest and profit share (dividends)	1 397	2 091
4. (Profit) loss on investment activities	1 646	-12
5. Change in reserves	6 275	4 575
6. Change in inventories	-33 145	46 686
7. Change in receivables	-23 579	-29 429
8. Change in short-term liabilities except for loans and credits	55 803	-62 003
9. Change in accruals	-2 529	-7 327
10. Other adjustments	-4 264	
III. Net cash flow from operating activities	104 369	26 482
B. Cash flow from investment activities	-5 435	-15 670
I. Inflows	879	808
1. Sales of intangible and tangible fixed assets	54	15
2. Sales of real estate properties and intangible assets		
3. From financial assets, including:	825	793
- financial assets sold		
- dividends and profit share received		
- repayments of long-term loans granted		
- interest received	325	293
- other inflows from financial assets	500	500
4. Other investment inflows		
II. Outflows	-6 314	-16 478
1. Purchase of intangible and tangible fixed assets	-4 220	-9 838

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2. Real estate property and intangible assets		
3. To financial assets, including:		
- financial assets purchased	-2 094	-6 640
- long-term loans granted	-2 094	-6 640
4. Other investment outflows		
III. Net cash flow from investment activities	-5 435	-15 670
C. Cash flow from financial activities	-100 279	-14 246
I. Inflows	81 242	
1. Net inflows from issue of shares, other capital instruments or capital receipts		
2. Credits and loans	81 242	
3. Issue of debentures		
4. Other financial inflows		
II. Outflows	-181 521	-14 246
1. Purchase of own shares	-179 150	
2. Dividends and other dues paid to shareholders		
3. Outflows from profit distribution, other than dues paid to shareholders		
4. Credits and loans repaid		-11 862
5. Redemption of debentures		
6. From other financial liabilities		
7. Contractual payments of financial lease dues		
8. Interest paid	-1 723	-2 384
9. Other financial outflows	-648	
III. Net cash flow from financial activities	-100 279	-14 246
D. Total net cash flow	-1 345	-3 433
E. Balance sheet change in cash	-1 345	-3 433
F. Cash (beginning of period)	19 657	38 280
G. Cash (end of period)	18 312	34 847

Additional Information (Abridged Consolidated Financial Report for 1st half of 2016)

Introductory Information

The basic data

Apart from the Parent Company, the Stalprodukt S.A. Capital Group embraces 10 entities which constitute subsidiary companies. As of 30.06.2016, Stalprodukt S.A. held 100% shares in its subsidiary companies except for: Cynk-Mal S.A., in which it held 51% of shares (as of the balance report preparation day) and Zakłady Górniczo - Hutnicze „Bolesław” S.A., where it holds 94.48% of shares.

As the group's parent company, Stalprodukt S.A., provides operating and development guidelines for the associated entities formed within the framework of the Company's restructuring and expansion of its production, trade and services and organization of its own sales network.

The basic objects of operation of the capital group companies are:

- production of electrical transformer sheets – parent company Stalprodukt S.A.,
- production of cold formed profiles, road safety barriers as well as cut-to-length cold- and hot-rolled sheets and strips – parent company Stalprodukt S.A.,
- non-ferrous metal ores mining and zinc and lead production – ZGH “Bolesław” S.A. along with its subsidiary companies:
 - Zinc Smelter - Huta Cynku “Miasteczko Śląskie” S.A. – production of rectified zinc, lead and cadmium,
 - Bolesław Recykling Sp. z o.o. – zinc-bearing materials processing and recycling services as well as production and sales of non-ferrous metal concentrates,
 - Bol-Therm Sp. z o.o. – power supply-, laboratory-, mechanics and construction-related services, transport-equipment and forwarding services, production of dolomite aggregates, zinc products and zinc alloys,
 - Gradir Montenegro d.o.o. – zinc ores mining and concentrate production,
 - Agencja Ochrony Osób i Mienia “Karo” Sp. z o.o. – bodyguard and property security services,
 - PRD Olkusz Sp. z o.o. - construction and repair of roads (a subsidiary of Boltech Sp. z o.o).
- trade activities:
 - Stalprodukt-Centrostal Kraków Sp. z o.o., managing the all-Poland sales network with department and trade offices in Gliwice, Włocławek, Wrocław, Szczecin and Radom,
 - Stalprodukt - Zamość Sp. z o.o.,

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

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

1. On 01 July 2016 Sale Agreements were concluded, concerning the sale of the shares issued by Cynk-Mal S.A., between the Issuer and the Shareholders, i.e. Mr. Marek Picz and Mr. Andrzej Czekajło. The object of the Agreements was the buyback of 9 891 000 shares for the price of PLN 3, 956. 400 (In words: three million nine hundred fifty-six thousand four hundred), i.e. for PLN 0.40 per share. The shares being the object of the Agreement account for 49% of the share capital. As a result of the transaction, the Issuer holds 100% of the shares in the subsidiary company.
2. In the 1st half of 2016, the ZGH "Bolesław" S.A. capital share was raised up to 94,48% compared to 92.07% towards the end of the comparable period, as a part of the repurchase of employee shares.

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 2016 to 30 June 2016 with the use of the full consolidation method, considering all the Group's subsidiaries. The comparable data cover the period from 1 January 2015 to 31 June 2015 referring to the profit and loss account and the cash flow statement, the balance sheet values reflect the status as of 31 December 2015.

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

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

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

The Additional Information sheet embraces selected data explaining the facts required by the IAS 34 and the Regulation of the Minister of Finance as of 19.02.2009 r. on current and periodic information to be disclosed by issuers of securities and conditions for recognizing as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws No 33, item 259).

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 2015.

In the reporting period neither any essential changes were introduced into the accounting principles (policy), nor any adjustments were made in respect of the fundamental errors and adopted appraised values which would have significantly affected the Group's property and liquidity standing and its financial result.

2. The changes introduced into the standards and interpretations issued by the International Financial Reporting Standards Council and International Financial Reporting Standards Interpretation Committee, applicable since 1 January 2016 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 2015.

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.

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

Estimated Values

1. In the 1st half of 2016, 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 5 136 thousand in connection with the occurrence of positive temporary differences,
 - a revaluation write-down, amounting to PLN 1 707 thousand, was made to adjust doubtful receivables,
 - revaluation write-downs in respect of doubtful receivables, amounting to PLN 1 229 thousand, were released due to being paid,
 - a provision for employee benefits was formed in the amount of PLN 11 233 thousand, and the provision for employee benefits amounting to PLN 6 211 thousand was released due to the disbursement of awards and pensioners severance payments,
 - a provision for repairs was created in the amount of PLN 3 640 thousand, and the one amounting to PLN 5 500 thousand was released,
 - a provision for deteriorating profitability and expected losses was formed in the amount of PLN 16 000 thousand,
 - a provision for electrical energy origin certificates and CO2 emission allowances was created in the amount of PLN 4 774 thousand, and the one amounting to PLN 12 319 thousand was released,
 - a provision for mine liquidation amounting to PLN 5 000 thousand was created and the one amounting to PLN 765 thousand was released,
 - a provision for royalties was formed in the amount of PLN 440 thousand,
 - a provision in the amount PLN 55 thousand was formed for land reclamation and another amounting to PLN 72 thousand was released.

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 2015.

Information on Operating Segments for 1st half of 2016 (PLN Thousand)

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

Consolidated Financial Report for the 1st half of 2016

Information on Operating Segments for 1st half of 2015 (PLN Thousand)

Itemization	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	Total Consolidated Value
Segment Revenues	307 612	348 287	772 322	116 349	1 544 570
Segment Costs	249 411	329 128	639 799	105 738	1 324 076
Segment Result	58 201	19 159	132 523	10 611	220 494
Other Operating and Financial Revenues Non-Attributable to the Segment					13 873
Other General, Operating and Financial Costs Non-Attributable to the Segment					95 413
Gross Profit					138 954
Income Tax					30 520
Net Profit					108 434
Segment Assets	786 693	712 587	1 483 017	252 341	3 234 638
Assets Non-Attributable to the Segment					23 630
Total Assets					3 258 268
Liabilities	129 533	183 242	580 756	93 472	987 003
Contingent Liabilities					296 115
Total Liabilities					1 283 118
Investment Outlays	3 718	4 122	49 588	8 176	65 604
Depreciation	12 516	10 182	42 833	5 944	71 475

Ocena uzyskanych wyników i sytuacja finansowa

In the 1st half of 2016, compared to the analogical period in 2015, the sales achieved by the Stalprodukt S.A. Capital Group decreased by PLN 53 627 thousand, i.e. by 3.47 %. The decrease of sales proceeds was simultaneously combined with an increase of sales profit to have risen by PLN 68 948 thousand i.e. by 43.84 %. The operating profit was improved by 69 304 thousand, i.e. by 46.99 %. Additionally, the net profit was improved by PLN 80 804 thousand compared to the analogical period in 2015. This stands for a percentage-based increase by 74.52 %.

The good results achieved by the Group in the 1st half of 2016, as compared to the 1st half of 2015, were achieved thanks to the improved results recorded in all the three segments reported by the Issuer..

Despite the volume decrease by 15.68%, the Electrical Sheets Segment maintained its sales level close to the level achieved in 2015 (decrease by 0.41%). The key factor, which had affected the above figures, were the higher prices, as compared to the 1st half of 2015. This factor also affected the improvement of the Segment's overall performance. In relation to the 1st half of 2015, the achieved Segment's result was higher by PLN 25 394 thousand, i.e. 43.63 %. It should be stressed that, in spite of the fact that better prices were achieved in relation to the comparable period, a slow erosion of prices is progressing in the Segment as compared to the preceding periods. The Issuer is expecting a further decrease of the Segment's prices in the successive quarters .

The Profiles Segment recorded a volume-based increase by 2.65 %. In accordance with the predictions signalled in the 1st quarter report, concerning the possible price increases on the turn of the 1st and 2nd quarter, the Segment recorded a significant improvement of its performance. The result achieved in the Segment was higher by PLN 18 427 thousand, i.e. by 96.18 %. At the same time it should be stressed that, despite the price increases achieved throughout the 2nd quarter, the average prices achieved in the 2nd half of 2016 are still lower than the average prices achieved in the 1st quarter of 2015. In addition, the improved performance was significantly influenced by the of the manufacturing costs. Analyzing the market conditions for the Profiles Segment's products, the Issuer predicts a change in the above-mentioned short-term trend and return to the decreasing prices in the Segment.

In the 1st half of 2016, the Zinc Segment's net sales amounted to PLN 757 941 thousand and, in relation to the comparable period of the previous year, when the sales amounted to PLN 772 322 thousand, the same decreased by 1.86 %. The net sales, achieved in the 1st half of 2016, reflect a high sensitivity of the sales level to the zinc, lead and silver exchange market prices as well as USD/PLN exchange rates, which resulted from the international price formulas applied in the sales of the Group's products. The prices for the basic metals bought by ZGH "Bolesław" S.A. and its subsidiary companies were as follows:

1st half of 2016

Average LME zinc price 1 799 USD/t.

Average LME lead price 1 731 USD/t.

Average LBM silver price 15.8 USD/oz.

USD exchange rate: PLN 3.9142

1st half of 2015

Average LME zinc price 2 134 USD/t.

Average LME lead price 1 873 USD/t.

Average LME silver price 16.6 USD/oz.

USD exchange rate: PLN 3.7150

A massive decrease of the LME zinc and lead prices in the 1st half of 2016, as compared to the 1st half of 2015, was alleviated by the high PLN/USD exchange rate, hence the PLN-prices of the metals concerned also recorded decreases, but these were not so drastic. And so:

- zinc LME base price, converted to PLN, decreased by 11.1%, from PLN 7 915 in the 1st half of 2015 to PLN 7 039 in the reporting period. 80% of the Zinc Segment's sales are dependent on the zinc price,
- lead LME base price, converted to PLN, also decreased, but only by 2.4 % from PLN 6 947 in the 1st half of 2015 to PLN 6 778 in the reporting period. Around 10% of the Zinc Segment's sales are dependent on the lead price,
- Silver LBM base price, converted to PLN, was maintained at a similar level throughout both periods, i.e. almost PLN 62 per ounce. Around 3% of the Zinc Segment's sales are dependent on the silver price.

In the 1st half of 2016, the sales volume of zinc products was by 5% higher than the one in the 1st half of 2015. Also the sales volume of silver was by 7% higher in the 1st half of 2016 than in the 1st half of 2015. Whereas in the 1st half of 2016, the lead sales volume (refined lead, lead concentrates) was 5% lower than in the 1st half of 2015.

Despite the decrease of the prices and sales volumes, thanks to the consistently pursued hedging policy, the Company managed to achieve a better result compared to the 1st half of 2015.

The Segment's performance increased by PLN 20 428 thousand, i.e. 15.41 %.

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

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

7. Financial instruments and risk management assessment

Characteristics of financial instruments and rules for their valuation

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

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

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

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

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

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

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

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

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

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

At each balance sheet date, the Company assesses whether there is objective evidence of impairment of a financial asset or the group of financial assets. Such evidence includes: severe

financial difficulties of the debtor, the disappearance of an active market for that financial instrument, adverse changes in the economic, legal and market environment of the financial instrument issuer, maintaining a significant decrease in the fair value of the instrument. When such evidence prevails, it is necessary to estimate the losses and make allowance for impairment.

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

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

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

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

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

The purpose and policy of risk management and measurement methods.

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

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

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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.

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Item No.	Type of security	Type of hedged risk	30.06.2016			30.06.2015		
			Amount	Currency	thous. PLN	Amount	Currency	thous. PLN
1	Bank guarantees and letters of credit	credit/contract	743	PLN	743	2 256	PLN	941
2	Bank guarantees and letters of credit	credit/contract	3 262	EUR	14 436	6 581	EUR	9 310
3	Bank guarantees and letters of credit	credit/contract	9 912	USD	39 453	5 207	USD	8 488
4	Suretyships	credit/contract	1 600	PLN	1 600	2 500	PLN	4 000
4	Suretyships	credit/contract	16 065	EUR	71 096	6 680	EUR	23 846
	Total				127 327			46 586

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 306,762 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.

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

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

Currency Risk

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

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

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

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
Active currency hedging instruments as of 30.06.2016 r. PLN thousand					
Cash Flow Hedging	forward	\$107 630 621,00	-12 743	-12 743	risk from USD/PLN exchange rates
Cash Flow Hedging	forward	€7 300 000,00	60	60	risk from EUR/PLN exchange rates
Cash Flow Hedging	option strategies (collar)	\$4 500 000,00	308	308	risk from USD/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.

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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 30.06.2016 (zinc)			PLN thousand		
Cash Flow Hedging	swap	60 350	-19 019	-19 019	Price Change Risk Zn LME
Cash Flow Hedging	Option strategies (collar)	5 000	372	189	Price Change Risk Zn LME
Cash Flow Hedging	put	2 500	1 220	415	Price Change Risk Zn LME
Cash Flow Hedging	call	2 500	-848	-232	Price Change Risk Zn LME
Active commodity hedging instruments as of 31.12.2014 (lead)			PLN thousand		
Cash Flow Hedging	swap	5 300	1 589	1 589	Price Change Risk Pb LME
Active commodity hedging instruments as of 31.12.2014 (silver)			PLN thousand		
Cash Flow Hedging	swap	92 500	-591	-591	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 2016 is as follows:

- Zinc - approx. 102 000 tons
- Lead - approx. 20 000 tons
- Silver - approx. 520 000 Ozs
- Currency - approx. USD 245 000 000

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

Security accounting,

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

Whereas considering the nature of the pursued activities, the subsidiary company ZGH "Bolesław" S.A. applies hedge accounting based on the internal procedures prepared in compliance with the International Accounting Standards. The risk management policy is based on the decisions issued by the Risk Committee. The details are defined in the ZGH "Bolesław" S.A.'s Hedging Policy, approved by the Management Board with the Resolution 2/2011 dated 14 January 2011. In order to hedge itself against metal price fluctuations, the Company concludes swap transactions, options or option strategies and forward contracts. The market risk management details are clearly defined in the risk management procedure. The

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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	
	30.06.2016	30.06.2015
Long-Term investments	1 153	23 433
Short-Term Investments	100 094	46 202
TOTAL, including:	101 247	69 635
a) valuation of derivative transactions	11 247	69 636
b) securities	39 399	40 157

Explanation to Item: Liabilities pertaining to hedging instruments	PLN thousand	
	30.06.2016	30.06.2015
Contracts for Hedging Transactions	18 816	11 032
Conclusions of Currency Option Transactions	26 519	38 238
Adjustment pertaining to the amount resulting from the closed transactions settlements with brokers	433	3 729
TOTAL	45 335	49 270

Valuation of Derivative Transactions	PLN thousand			
	30.06.2016		30.06.2015	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Commodity Transactions - Zinc	7 351	26 270	53 060	6 957
Commodity Transactions - Lead	1 616	27	12 102	0
Currency Transactions - USD/PLN EUR/PLN	2 280	18 340	4 119	42 313
Commodity Transactions- Silver	0	697	355	0
Total	11 247	45 334	69 636	49 270

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Division of Hedging Instruments	PLN thousand			
	30.06.2016		30.06.2015	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Hedging Instruments	9 336	39 467	67 715	48 196
Commodity Transactions - zinc	6 078	24 725	51 625	6 643
Commodity Transactions - lead	1 616	27	12 102	0
Currency Transactions - USD/PLN, EUR/PLN	1 642	14 018	3 633	41 553
Commodity Transactions - Silver	0	697	355	0
Trade Instruments	1 911	5 868	1 921	1 074
Commodity Transactions- zinc	1 273	1 545	1 435	314
Commodity Transactions - lead	0	0	0	0
Currency Transactions - USD/PLN, EUR/PLN	638	4 323	486	760
Commodity Transactions - silver	0	0	0	0
Total	11 247	45 335	69 636	49 270

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	
	30.06.2016	30.06.2015
Sales of Products Adjustment	16 383	-23 398
Sales of Goods Adjustments	0	0
Revaluation of Investments	1 602	3 027
Gains/Loss on Sale of Investments	787	-9 778
Total	18 772	-30 149

Cash Result from Reconciliation of Derivative Instruments:	PLN thousand	
	30.06.2016	30.06.2015
Commodity Transactions	40 437	6 895
Currency Transactions	-12 977	-43 232
Total	27 460	-36 337

Sales of Products Adjustment Related to Application of Hedging Instruments:	PLN thousand	
	30.06.2016	30.06.2015
Sales Increase	34 460	16 668
Sales Decrease	-18 077	-40 065
TOTAL	16 383	-23 397

Status of Capital from Revaluation Related to Application of Hedge Accounting (excluding Deferred Tax)	PLN thousand	
	30.06.2016	30.06.2015
Valuation of Open Hedging Instruments:	-30 193	19 541
- Zn	-18 830	44 938
- Pb	1 589	12 102
- USD/PLN	-12 361	-37 751
- Ag	-591	252
Result from the Application of Hedging Instruments Capital-Retained until the Realization of the Hedged Item:	0	635
- Zn		
- Pb		635
- USD/PLN		
TOTAL	-30 193	20 176

Other Information

- In the 1st half of 2016, the Capital Group did not experience any seasonality consequences. During the reporting period no other positions were recorded, significantly affecting the assets, liabilities, equity, net profit or cash flow, which would be untypical in terms of their kind, volume/size or frequency.
- 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 13 821 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 1 357 thousand.
- The Issuer does not publish result forecasts.
- The pending bankruptcy and composition proceedings cover the Group's receivables totalling PLN 4 824 thousand, wherein Stalprodukt's share amounts to PLN 743 thousand and ZGH "Bolesław"'s - PLN 4 081 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.
- On 17 November 2015, the Extraordinary General Meeting of Shareholders adopted a resolution on the Company's purchase of its own shares with a view to redemption. The maximum number of shares that could be acquired by the Company within the program is 1 075 000 items. The purchase price per share is PLN 250.00. The purchase referred to registered preference shares of A, B and E series. The value of the Program,

enlarged with the purchase costs, could total PLN 270 000. In three transaction tranches the Company purchased 1 075 000 own shares at the value of PLN 268 750 thousand resulting from the purchase price. Before the above mentioned tranches were cleared, the Company together with its subsidiary company had held 69 778 shares. After the clearing the Company altogether held 1 144 778 shares accounting for 31.94 % of votes at the General Meeting of Shareholders. In accordance with the Resolution No XXXIII/12/2016 adopted by the General Meeting of Shareholders, 1 144 733 shares were subject to redemption.

6. By the Resolution No XXXIII/13/2016 adopted by the General Meeting of Shareholders, the Company's share capital was reduced from PLN 13 450 000 to PLN 11 160 534 i.e. by the amount of PLN 2 289 466. The reduction took place in the process of redemption of 1 144 733 shares.
7. On 1 July 2016, the Issuer's Management Board received information that on 28 June 2016 the reduction of the Company's share capital was recorded by the Kraków-Śródmieście Regional Court of Krakow, 12th Economic Department of the National Court Register. After the registration of the changes in the share capital level, the total number of shares amounts to 5 580 267 items, which accounts for 12 198 535 votes at the General Meeting of Shareholders as counted against all the shares issued.
8. On 20 June 2016, the General Meeting adopted the Resolution No XXXIII/18/2016, granting the Company an authorization within the meaning of Art. 365 par. 1 subpar. 8 to purchase its own shares with a view to redemption. The maximum number of shares which can be purchased by the Company within the Program equals 200 000 items. The single share purchase price is PLN 250.00. The purchase refers to registered preference shares of A, B and E series. The value of the Program enlarged by the purchase costs equals PLN 51 million. The purchase of the shares may take place within the deadlines and under the terms and conditions defined by the Company's Management Board within two years starting from the time when the Resolution No XXXIII/18/2016 was adopted.
9. 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:
 - ArcelorMittal Poland S.A. holding 1 216 733 shares, accounting for a 21.80 % share in capital and 1 576 465 votes, accounting for a 12.92 % of the total number of votes at the General Meeting of Shareholders,
 - STP Investment S.A. holding 1 875 723 shares, accounting for a 33.61 %-share in capital and 5 911 931 votes, accounting for 48.46 % of the total number of votes at the General Meeting of Shareholders,
 - Stalprodukt Profil S.A. holding 621 717 shares, accounting for 11.14 %-share in capital and 1 137 549 votes, accounting for 9.33 % of the total number of votes at the General Meeting of Shareholders.

10. 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 114 865 shares of nominal value: PLN 229 730,
- Józef Ryszka 504 shares of nominal value: PLN 1 008,
- Łukasz Mentel 100 shares of nominal value: PLN 200.

b/ supervision officers:

- Stanisław Kurnik 2 900 shares of nominal value: PLN 5 800,
- Maria Sierpińska 11 880 shares of nominal value: PLN 23 760,
- Kazimierz Szydłowski 3 462 shares of nominal value: PLN 6 924,
- Janusz Bodek 62 640 shares of nominal value: PLN 125 280.

Since the General Meeting of Shareholder, the Issuer has not received any information concerning changes in the management or supervision officers' ownership statuses in respect of the Company's shares.

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

The total value of the Issuer's transactions with associated companies in the period from 01.01.2016 to 30.06.2016 and in the comparable period from 01.01.2015 to 30.06.2015 is presented in the Table below.

Consolidated Financial Report for the 1st half of 2016

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

Items the 1 st half of 2015	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-MB sp. z o.o.	26	1 196	152	1 358
Stalprodukt-Wamech sp. z o.o.	132	1 860	687	4 769
Stalprodukt-Centrostal sp. z o.o.	87 890	34	179 625	624
Stalprodukt-Serwis sp. z o.o.	69	1 493	360	3 880
Stalprodukt-Zamość sp. z o.o.	79	112	382	203
Stalprodukt-Ochrona sp. z o.o.	21	599	111	1 378
STP Elbud sp. z o.o.	319	2 136	1 628	6 778
Cynk-Mal S.A.	10 510		13 299	2 799
ZGH „Bolesław” S.A.		23		84
Anew Institute sp.z o.o.				498

Moreover, in the 1st half of 2016, some transactions were carried out with entities in which the Company holds stakes: Stalnet Sp. z o.o.- sales PLN 27 thousand, costs PLN 162 thousand; receivables PLN 9 thousand, liabilities PLN 33 thousand; Stalprodukt-Profil S.A. sales 7 thousand, receivables 2 thousand. The transactions concerned were carried out according to market rules.

12. In the reporting period the Group made investment outlays on the purchase and formation of tangible fixed assets amounting to PLN 8 2 820 thousand. No significant fixed asset components have been disposed of during the reporting period.

13. On 19 April 2016, within the general purchase program of the Company's shares under the business name of Zakłady Górniczo-Hutnicze „Bolesław” S.A., Stalprodukt S.A. concluded a commission purchase agreement concerning the above mentioned shares with F&R Finanse Sp. z o.o. Within the framework of this Agreement, within 30 June 2016, F&R Finanse Sp. z o.o. purchased in its own name and at Stalprodukt S.A.'s expense 625 362 shares of ZGH „Bolesław” S.A. for the total amount of PLN 12 507 thousand.
14. On 20 June 2016, the General Meeting of Shareholders adopted a resolution on the disbursement of dividend from the 2015 financial result. The profit amount appropriated for the dividend amounts to PLN 16 740 801.00, which, considering the number of shares: 5 580 267 items, yields PLN 3.00 per share. The dividend record date is fixed on 15 September 2016, and the dividend disbursement date was fixed on 30 September 2016.
15. In order to finance the third tranche of purchase of the Company's own shares, on 24.03.2016 the Issuer concluded a credit agreement with Bank Handlowy w Warszawie S.A., amounting to PLN 90 000 thousand, with the repayment deadline fixed on 29.12.2017. The credit is secured with a blockage of funds on the bank account.
16. 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.
17. 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.
18. 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.
19. During the reporting period and following 30.06.2016 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.
20. Pursuant to par. 83, subpar. 1 of the Regulation of the Minister of Finance as of 19.02.2009 on current and periodic information to be disclosed by issuers of securities and conditions for recognizing as equivalent of information whose disclosure is required

Consolidated Financial Report for the 1st half of 2016

under the laws of a non-member state (Journal of Laws No 33, item 259), 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 2016”.

21. No additional information was appended to the Abridged Consolidated Financial Report for the 1st half of 2016 as, during the reporting period, no other events, concerning the separate report, took place, apart from the ones referred to herein.
22. This Abridged Consolidated Financial Report for the 1st half of 2016 was approved for publication by parent Company's Management Board on 29.08.2016.

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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 Janeczka
President of the Management Board – CEO