

**Semi-Annual Report
on Stalprodukt S.A.
Capital Group's Activities
For the period from 1.01.2016 to 30.06.2016**

Bochnia, August 2016

Contents:

- 1. Capital Group's Structure**
- 2. Assessment of Economic and Financial Standing**
- 3. Sales of Basic Products**
 - 3.1 Electrical Sheets Segment
 - 3.2 Profiles Segment
 - 3.3 Zinc Segment
- 4. Basic Threats and Risks Associated with the Remaining Months of the Reporting Year**
 - 4.1. Domestic and EU Economic Conditions
 - 4.2. Steel Industry Condition and its Market Environment
 - 4.3. Exchange Market Zinc and Lead Price Levels
- 5. Other Information**
 - 5.1. Changes in the Group's Structure
 - 5.2. Management Board's Standpoint on Potential Realization of Previously Published Forecasts
 - 5.3. Listing of Shareholders, Entitled Directly or Indirectly Through Subsidiaries, To At Least 5% of the General Number of Votes at the General Meeting of Shareholders
 - 5.4. Breakdown of Stalprodukt managerial and supervisory staff ownership structure and changes in the ownership structure which have occurred since the publication of the previous quarterly report.
 - 5.5. Listing of Proceedings Pending in Court, Arbitration Tribunal or Public Administration Agency
 - 5.6. Transactions with Associated Companies
 - 5.7. Information on Granted and Obtained Loans, Sureties and Guarantees
 - 5.8. Other Information Essential for the Assessment of the Staffing, Property and Financial Standing, Financial Result and Changes Thereof and Essential for the Assessment of the Group's Capacity to Settle Liabilities
 - 5.9. Factors Likely To Affect the Group's Results At Least In the Perspective of the Coming Quarter
 - 5.10. Composition of Management Board's and Supervisory Board

1. Capital Group's Structure

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

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

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

- in ZGH “Bolesław” – 94.48 %
- in other companies – 100 % shares each.

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

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

Pursuant to art. 55 of the Accountancy Act as of 29.09.1994 (consolidated text Journal of Laws as of 2009, No 152, item 1223 with subsequent amendments), the Issuer prepares consolidated financial reports in reference to the periods beginning as of 1 January 2005 in accordance with IFRS.

Additionally, in 2016 ZGH “Bolesław” had shareholdings in the following subsidiary companies (in brackets, ZGH’ shareholding in share capital of those companies):

- **Zinc Smelter - Huta Cynku “Miasteczko Śląskie” S.A.** (92,76 %) – production of rectified zinc, lead and cadmium,
- **Bolesław Recykling Sp. z o.o.** (100 %) – zinc-bearing materials processing and recycling services as well as production and sales of non-ferrous metal concentrates,
- **Bol-Therm Sp. z o.o.** (100 %) – power supply-, laboratory-, mechanics and construction-related services, transport-equipment and forwarding services, production of dolomite aggregates, zinc products and zinc alloys,
- **Gradir Montenegro d.o.o.** (99,56 %) – zinc ores mining and concentrate production,
- **Agencja Ochrony Osób i Mienia “Karo” Sp. z o.o.** (100 %) – bodyguard and property security services.

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

**Semi-Annual Report on Stalprodukt S.A. Capital Group's Activities for the period
from 1.01.2016 to 30.06.2016**

F&R Finanse Sp. z o.o. was established in 2014 and registered under entry no. KRS 0000506742. Bolesław Recycling Sp. z o.o. has taken over 49 % of shares in the newly created entity. F&R Finanse runs a business activity in the area of financial services and financial advisory.

2. Assessment of Economic and Financial Standing

In the first half of 2016, the return on sales (ROS) was recorded as follows on particular levels:

Itemization	1st half of 2015	1st half of 2016
Return on sales	10.2	15.2
Operating margin	9.5	14.5
Gross margin	9.0	15.7
Net margin	7.0	12.7

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

Itemization	1st half of 2015	1st half of 2016
Return on assets	3.3	5.6
Return on equity	5.5	9.8

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

Itemization	1st half of 2015	1st half of 2016
Current ratio	2.2	2.0
Quick ratio	1.3	1.2

In the reporting period the Group recorded a decrease by PLN 53 627 thousand, i.e. by 3.4 % of its consolidated sales in relation to the ones achieved in the analogical period of the previous year. This decrease had mainly been caused by the decline of the sales volumes and prices in the Electrical Sheets Segment and PLN-converted prices in the Zinc Segment, as well as the decline of prices in the Profiles Segment - despite the growing volumes – in relation to the comparable period.

At the same time the Capital Group recorded a significant improvement of profitability at each of the above levels, achieving, in relation to the 1st half of 2015: return on sales increase by PLN 68 948 thousand i.e. by 44 %; operating profit increase by PLN 69 304 thousand, i.e. by 47 % and net profit increase by 80 804 thousand, i.e. by 75%. The above resulted in the improved return on assets and return on equity.

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

Compared to 31.12.2015, some slight changes took place in the volume of the assets and their financing sources. The assets value increased by 1.9 %. At the same time the current assets increased by 6.4 %. The equity decreased by PLN 124 473 thousand, i.e. by 6.0 %. The liabilities and provisions for liabilities increased by PLN 187 637 thousand, i.e. by 14.9 %.

Compared to 31.12.2015 an increase of the book value per share took place from PLN 304.82 to PLN 345.04.

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

In the assessment of the financing banks, the Stalprodukt Capital Group is continuously enjoying credit capacity which allows the Group to obtain multi-form financing for its activities. All the credit lines, which were precisely described in the last Consolidated Financial Report for 2014, are still functioning and are extended by the banks in due time. Most of these credit lines are used as limits for guarantees and letters of credit, and for overdrafts in current accounts. They, additionally, secure the Group's internal financing sources.

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

3. Sales of Basic Products

3.1 Electrical Sheets Segment

In the 1st half of 2016, the Electrical Sheets Segment's total sales amounted to PLN 306.3 million and was only by 0.4 % lower than in the analogical period of 2015.

Transformer Sheets and Strips

In the first half of 2016, the sales of transformer sheets and strips amounted to PLN 300.7 million. This accounts for a decrease by 0.5 % in relation to the 1st half of 2015. In terms of volume the sales decrease reached the level of 16 % in the period concerned. After a short period of last year's increases, the prices showed a downward trend again.

In the sales structure, domestic sales currently account for 6%, and the Company's share in the Polish transformer sheets market is estimated at approx. 16 %.

The volume of export sales decreased by 16 % in relation to the analogical period of 2015, however, the slower decrease of the prices allowed the sales to be kept at the level close to the last year's one.

Semi-Annual Report on Stalprodukt S.A. Capital Group's Activities for the period from 1.01.2016 to 30.06.2016

Market Environment

The following events should be classified among the most important ones occurring in the last half of the year: definitive withdrawal of the American manufacturer - Allegheny Technologies (ATI) – from the production of electrical grain-oriented sheets (GOES) and information on the suspended production of conventional grain-oriented electrical sheet grades (CGO) by Wuhan Iron & Steel – the biggest Chinese manufacturer of such products. These decisions should positively affect the relations between the global production capacities referring to conventional sheets (approx. 1.5 million tons/year) and the demand for such products.

Further protectionist actions are undertaken in order to protect the transformer sheets market from the imports competition. In April 2016, further to the petition filed by Wuhan Iron & Steel (Wugang) (prod. capacity 600 thou. tons GOES) and Baosteel (prod. Capacity 300 thou. tons GOES), the Chinese Ministry of Commerce decided to impose provisional duties on the imports of electrical grain-oriented sheets (GOES) from Japan, Korea and EU states. On 23 July 2016, China imposed definitive duties, the value of which was ranging from 37.3 to 47.3 %.

Also in Europe some events took place which were very important for the electrical sheets industry. In March 2016, the TATA concern released a statement that they were going to sell their plants in England and Wales. This decision was taken during the meeting of the owner company's - Tata Steel in Mumbai's - management board in response to the unprofitability of the processing plants, which have generated above 2 billion of pounds' loss during the last five years. In the context of the activities pursued by Stalprodukt, a question concerning the further operation of the Orb Electrical Steels plant, processing transformer sheets, seems to be grounded.

Toroidal Cores

In the 1st half of 2016, the value of the core sales increased by 3.6 % , while the sales volume increased by 4.6 % in relation to the 1st half of 2015. The sales structure was changed in favor of the export sales. At present, the domestic sales share covers 41% of the total sales, and exports share 59% (in the previous year these proportions were, respectively, 47:53).

The decrease of the domestic sales had mainly resulted from the limited purchases by domestic recipients due to the finalizing of their long-term contracts in 2015 and decline of demand for transformers from the recipients in Germany, Scandinavia, Russia, the Ukraine and Belarus.

On the other hand, a 10-percent increase of exports was mainly possible thanks to the fact that cores of better technical parameters (cores processed from HGO sheets) were introduced to the offer.

Market Environment

The cores market is characterized by fierce competition. The Stalprodukt's competitors have an easy access to cheap charge materials, which, as a result, gives them grounds to apply aggressive price policies in reference to the final product. The competitors also enjoy advantages regarding the products themselves, the characteristics of which reflect the general development trends typical of the core products. The customers' needs are growing not only in reference to their requirements concerning the

magnetic parameters (application in top grade HGO cores), but also in reference to the smaller sizes and lower mass of the final products.

3.2 Profiles Segment

In the 1st half of 2016, the Profiles Segment's total sales amounted to PLN 323.7 million and was by 7.1 % lower than in the analogical period of 2015.

- **Cold Formed Profiles**

Considering the almost 9-percent decrease of the prices in the 1st half of 2016, the Stalprodukt Group achieved proceeds from the sales of cold formed profiles, amounting to PLN 263.9 million (decrease by 5.1 % in relation to the analogical period of the previous year), whereas the achieved sales volumes were by 1.5% higher than in the previous year.

The sales structure changed in favor of the domestic sales. At present, the domestic sales account for 76% of the total sales, and exports for 24 % (in the 1st half of 2015 the proportions were as follows, respectively: 70:30).

Sales to Commercial Companies

The domestic sales share as carried out by the Company's sales network covered 80% of the total domestic sales.

Market Environment

The EU output of steel tubes decreased by 6.8% year-over-year in the 1st quarter of 2016, which testifies to the continued presence of difficult market conditions in all the key market segments of steel tubes in the EU and outside the EU.

The lowest output decreases were recorded in Germany, France, Spain and in almost all EU countries in smaller-sized tube processing plants. The increased output was only recorded in Italy and Holland. On the other hand, the initial steel tube output estimates for the second quarter of the current year signal slowed decreases in the production activities year-over-year. The crude oil prices upward trend in April and May helped to reduce the downward trend in investment outlays in the oil and gas sectors..

The Eurofer forecasts concerning the steel tubes output for the remaining part of the year 2016 and for the year 2017, indicate increases although towards the end of the next year the forecast production output shall reach the level of approx. 30 % below the 2008 peak output.

According to Eurofer it is the suppliers of steel tubes to such industries as: motor industry, construction, metal products and mechanical engineering, who will benefit from the increased demand for welded tubes and seamless tubes. It is expected that the EU tubes output will increase by 1.1 % in 2016 and by about 5.5 % in 2017.

The events occurring in the Stalprodukt's closer environment, which took place on the market of cold formed profiles in the 1st half of 2016, make a distressing prognostic for the future activities.

In the first quarter of the year the Ministry of Energy informed that, at the latest, by the end of the current year, a formation of a new entity under the business name of Śląskie Huty Stali [*cf. Silesian Steel Works*] is planned. It is supposed to operate as a holding of companies or as a single commercial law company. Ultimately, it is going to be quoted on the Warsaw Stock Exchange. The SHS [*SSW*] are to be composed of Huta Pokój [*cf. Peace Steel Works*] in Ruda Śląska, Huta Łabędy [*cf. Łabędy Steel Works*] in Gliwice and Walcownia Blach Grubych Batory [*Batory Thick Sheets Rolling Mill*] in Chorzów. The Łabędy Steel Works belongs to the Katowice-based Węglokoks (State Treasury company), which also holds a majority share of Huta Pokój. Walcownia Blach Grubych Batory belongs to the HW Pietrzak Holding S.A. The new entity will employ about 2.5 thousand people, and its annual sales are supposed to amount to approx. PLN 1.5 billion. It should be noted that the above mentioned companies and other Silesian companies, just to mention Ferrum S.A., cooperate with one another at the operational level.

Therefore Stalprodukt is made to compete not only with the entities which operate according to market rules, but also with the ones supported by the State Treasury.

In the 1st half of the year, also the Stalprodukt's foreign competitors were subject to certain essential changes. Voestalpine launched a new line in Krems for the production of specialized sections to be used in motor industry. However, the Company informs that, if necessary, it will also be possible to process other products on this line.

The ThyssenKrupp Energostal company has also put emphasis on development. The Toruń-based company opened a new warehouse and service center in Nowe Marzy, in which 17 thousand tons of black steel, stainless steel and aluminum products can be stored. A new center situated near Grudziądz is supposed to be the fourth warehouse belonging to the company's network. According to the statement published by the company, putting this facility into operation will expand the company's logistic network and will ensure a better customer service in northern Poland.

Various signals are reaching us also from the Stalprodukt's biggest market competitors, i.e. Marcegaglia and Severstal Distribution. During the recent six months Marcegaglia has introduced some significant changes into the organization structure, (dividing the production plants into three divisions), which are supposed to reaffirm the company's position even more as the EU market leader. Whereas the sales volume of the European Severstal Distribution Group increased by 27% in the 1st quarter of 2016 compared to the analogical period of the previous year.

Road Safety Barriers

The first half of 2016 saw an increase of barrier sales compared to the previous year, both in terms of value (by 7.5 %), and volume (by 23.5 %). The reason behind the poorer sales increase was the 13-percent decrease of the prices as compared to the previous year.

The sales structure was significantly changed in favor of the exports. At present, the exports account for 42 % (in the analogical period of 2015 - 26 %), and the domestic sales 58 % (in the previous year 74%).

In the 2nd half of the current year regular barrier deliveries are planned to be sent to all the foreign markets, on which Stalprodukt is present, yet, a decrease of export sales volume should be expected in

the second half of the year. Further big road projects, that Stalprodukt will be applying for, are planned in Denmark, Norway, Slovakia and the Baltic States as late as for the years 2017 – 2018.

Additionally, the bigger exports share in the total sales volume results from the conditions present on the domestic construction market, i.e. from the lower pace of the carried out road investments and lack of new tenders for road projects to be announced by the General Directorate of National Roads and Freeways.

Market Environment

The Saferoad company still remains to be the Stalprodukt's competitor on the domestic and European market. Another company, which acquired a few contracts for realization in the 1st half of the current year, is the Prowerk company, which is still offering rope barriers characterized with parameters unencountered in the offers of other manufacturers. In the 1st half of the year, the Italian company IMEVA, which has a very wide and competitive road systems offer, offered its barriers for the first time on the Polish market. At the same time, due to the lack of small and medium-sized investment projects and a small number of big contracts concluded by contractors in the 1st half of the year, one should expect that Stalprodukt competitors applying for further orders will be strongly determined.

The following events can be enumerated among the positive market signals of the 1st half of 2016:

- A – 1 freeway approved for use - Stryków – Tuszyn section - where the Company delivered safety barriers for 2 out of 3 sections,
- completed first-time installation of STP bridge barriers with anti-glare screens along the A-4 freeway, whose construction was finally completed on 20.07.2016 (Rzeszów East - Jarosław West section),
- the StalPro Rail system approved for use by the Norwegian road administration,
- offer expanded with further new and innovative products, including barriers intended for the 2+1 roads and road barriers characterized with very low VI parameters, which had not been available on the market until then.

- **Products of Steel Service Centers**

In spite of the plans to increase the sales of the steel service centers' products – hot and cold- rolled steel sheets – the accomplishments achieved to this end are still very poor.

In the 1st half of 2016, the products valued at PLN 29.8 million were sold, which stands for a decrease by almost 28 % compared to the almost 18-percent volume decrease recorded in 2015.

The sales were mainly directed to the domestic market (86 % of the total sales).

Market Environment

The EUROMETAL European Steel Distributors Association published that the five initial months of 2016 showed a significant upward trend in reference to flat products, felt by, both the distributors of steel products, and steel service centers (SSCs). The flat products deliveries increased by 10 % in the period concerned, and in May alone by 13 %.

The European steel wholesale companies recorded an increase at the level of 4% year-over-year (during the initial five months of 2016). Both the distributors of steel products and steel service centers reduced their inventory levels. Towards the end of May, the SSC rotation of inventories reached the level of 64 days (2 days fewer than in the analogous period of 2015) while the steel distributors' rotation cycle reached 70 days (compared to 81 days in the previous year). The main growth factor for the distributors was the increase of demand among the end users, particularly in reference to tubes and stainless products.

According to the Polish Union of Steel Distributors, the domestic flat products market reached maturity. No more rush can be observed towards the expansion of production capacities, which was characteristic for the recent years. At present companies get focused on the improvement of quality and expansion of their services range. All this is aimed at building the competitive advantage. In the 1st half of the current year, the demand for flat products was maintained at a good level. Moreover, in the 2nd quarter of 2016 the prices of these products increased.

3.3. Zinc Segment

In the 1st half of 2016 the Zinc Segment's sales amounted to PLN 757.9 million and decreased by 1.86% in relation to the comparable period of the previous year when the sales amounted to PLN 772.3 million. The net sales achieved in the 1st half of 2016 reflect the sales level's great sensitivity to the stock market prices of zinc, lead and silver as well as USD/PLN exchange rate, which results from the international price formulas applied during the sales of the Group's products.

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

4. Basic Threats and Risks Associated with the Remaining Months of the Reporting Year

4.1. Domestic and EU Economic Conditions

The maintained high pace of the GDP growth in 2015 was slightly decreased in the 1st half of 2016. In the 1st quarter of 2016, the GDP growth amounted to 3.0 % year-over-year, whereas in the 2nd quarter - 3.1 % (preliminary data). Thus, it will be difficult to achieve the full economic growth planned for 2016 at the level of 3.8 percent. The reason behind the poorer GDP growth is the decrease of the investments level, which results from the fact that the expenditures of EU funds from the previous perspective have been completed and the new ones are only starting to be used.

According to the Eurostat data, in the 2nd quarter of 2016, Poland occupied the fifth position in the European Union as concerns the growth of GDP..

Both in the 1st and in the 2nd quarter of 2016, the GDP growth dynamics reached the level of 1.8% year-over-year in the entire EU.

4.2. Steel Industry Condition and Market Environment

The forecasts for the second half of the year are rather positive for the EU market, with better growth prospects in the sectors based on investment activities, such as mechanical engineering or production of tubes. In effect, the entire production output in the steel-using sectors is supposed to increase by 2.4% in the current year.

According to Eurofer, in the 2nd half of 2016, apparent consumption will be stabilized at the level similar to the one achieved in the previous year. It is expected that while the demand will be moderately increasing due to the seasonal cycle of inventories, the level of stored inventories will be gradually reduced throughout the entire period. The greatest supply-related uncertainty is concerned with the level of imports to the European market. The growth of demand is to oscillate around 1%.

As concerns the exports, no improvement can be expected in the 2nd half of 2016. The prospects for 2017 seem to be slightly better, at least in reference to the foundations on the demand side. On the supply side, as it was mentioned above, the situation seems to remain extremely uncertain.

4.2.1 Electrical Sheets Segment

In line with the Company's earlier predictions, after the introduction of the definitive anti-dumping duties by the European Commission on 29 October 2015, affecting the imports of transformer sheets from China, Japan, Korea, Russia and the USA, including also the minimum prices mechanism, the EU market prices began to fall starting from the 4th quarter of 2015 and come closer to the minimum prices defined in the implementing Regulation of the European Commission (EU) No 2015/1953. The still maintained, relatively high PLN-level of steel sheet prices resulted from the advantageous currency exchange rates (PLN weakening). Nevertheless, it can be expected that the downward trend for the steel sheet prices will also be maintained in the 2nd half of 2016.

4.2.2. Profiles Segment

The products of the Profiles Segment remain under a big price pressure from the domestic competition and imports (this is mainly concerned with the profile product groups and products of steel service centers). The competition, existing in these product groups, is subject to further aggravation and the competing conditions are becoming increasingly difficult.

The 2nd quarter of 2016 saw an increase of charge material prices and, consequently, the Stalprodukt Group raised its prices for the finished products (mainly cold formed profiles). However, this was rather a short-term trend and, as early as, at the beginning of the 3rd quarter the prices started to fall again. This testifies to the limited potential of the increasing demand and continuously unstable market conditions.

The key factor of the competitive advantage in this Segment is the access to cheap charge material (mainly hot rolled sheets). For this reason the possible introduction of duties for the imports of hot rolled sheets from Russia and the Ukraine, which will reduce competition on the EU market, may lead to the increase of the product prices. Considering the lack of restrictions for the imports of finished products, such as the tubes and profiles processed by Stalprodukt, this move may seriously limit the competitiveness of the EU manufacturers.

4.3 Zinc and Lead Stock Exchange Price Levels

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

The 1st half of 2016 was characterized with an advantageous upward trend of the exchange market prices of zinc which is the most important product of the Segment concerned in reference to the sales proceeds and profit margins. A 30-percent increase of zinc prices, which took place in the 1st half of the current year, distinguishes this metal from the others. Up to now, zinc prices have been strongly correlated with the prices of other basic metals, however, recently this trend has been broken. This was caused by the fact that, in contrast to the other metals which are characterized with oversupply, in the case of zinc we are facing a real deficit.

The fundamental ratios explicitly indicate that the conditions are favorable for the zinc market. Yet, the closure of the big mines in Australia and Ireland, decreasing efficiency of the Peru mines and lack of new significant projects, to be launched soon and fill the existing gap, cause the deficit to emerge and deepen.

The stable and continuing growth of demand for zinc additionally confirms the promising forecasts for this metal. According to the Bank of America Merrill Lynch the global growth of zinc output is predicted to reach the level of 1.3 % in 2016.

The definitely advantageous conditions resulting from the fundamental ratios and overridden resistance levels of the price rates, indicates that in the coming half of the year one can expect stable and relatively high zinc prices. This is confirmed by the continuing trend of price increases in July and August 2016, which creates good prospects for the Zinc Segment's performance throughout the year 2016.

5. Other Information

5.1. Changes in the Group's Structure

- Stalprodukt is consistently continuing the process of buyback of the ZGH "Bolesław" employee shares. In effect, as of 30.06.2016 r. Stalprodukt's share in the above mentioned Company's share capital increased up to 94.48 % (compared to 92.07 % at the end of June 2015).
- On 1 July 2016 agreements were concluded for the sale of shares issued by Cynk-Mal S.A. between the Issuer and the remaining 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. PLN 0.40 per share. The shares, being the object of the agreement concerned, account for 49% of the share capital. As a result of the transaction, the Issuer's share in the subsidiary company concerned was increased to 100 %.

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

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

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

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

1. STP Investment S.A. holding 1 875 723 shares, accounting for 33.61 % of capital share and 5 911 931 votes, accounting for 48.46 % of the total number of votes at the General Meeting of Shareholders.
2. ArcelorMittal Poland S.A. holding 1 216 733 shares, accounting for 21.80 % of capital share and 1 576 465 votes, accounting for 12.92 % of the total number of votes at the General Meeting of Shareholders.
3. Stalprodukt-Profil S.A., holding 621 717 shares, accounting for 11.14 % of capital share and 1 137 549 votes, accounting for 9.33 % of the total number of votes at the General Meeting of Shareholders.

The changes in the ownership structure of the material share blocks, as viewed against the status published on the disclosure day of the quarterly report for the 1st quarter of 2016, have resulted from:

- Registration in the Entrepreneurs Register, on 28 June 2016, of the Stalprodukt S.A. share capital decrease by PLN 2 289 466 – resulting from the purchase of the Company's own shares and their redemption (the Issuer informed about the fact in the Current Report No 25/2016 as of 1 July 2016),
- Decrease of the general number of shares at the General Meeting of Shareholders to 12.198.535 items.

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

Piotr Janeczek, indirectly holds, through the subsidiary company STP Investment S.A., 1.975.723 Issuer's shares, accounting for 33.61 % of the share capital and authorizing to 5.911.931 votes at the General Meeting, accounting for 48.46 % of the total number of votes.

Moreover, on 30 June 2016, the Issuer received a notification from a group of Shareholders that they concluded an agreement concerning the purchase of the Stalprodukt S.A. shares, consensual voting at the General Meetings of Shareholders and pursuit of the joint policy towards the Company, in order to invite parties to the submission of tenders for the sale of the Company's shares in the number ensuring that the three shareholders concerned will get the threshold of 66% of the total number of the Company's votes.

**Semi-Annual Report on Stalprodukt S.A. Capital Group's Activities for the period
from 1.01.2016 to 30.06.2016**

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

- Piotr Janeczek resident in Kraków,
- STP Investment S.A. based in Bochnia,
- Stalprodukt – Profil S.A. based in Bochnia,
- Stalnet sp. z o.o. based in Bochnia.

As of 30 June 2006, the above mentioned shareholders jointly held 2.781.866 Company's shares, representing 41.37% of the Company's share capital, authorizing to 8.041.366 votes at the General Meetings of Shareholders, accounting for 44.87 % of the total number of the Company's votes.

The Issuer informed on the conclusion of the shareholders' agreement in the Current Report No 22/2016 dated 30 June 2016.

As a result of the redemption of the Stalprodukt S.A. shares and decrease of the Company's share capital, equivalent to the reduction of the total number of votes at the Stalprodukt S.A. General Meeting of Shareholders, the particular shareholders' voting shares were subject to change.

In connection with the above, on 1 July 2016, the Issuer received a notification from the shareholders who had concluded the above mentioned agreement on the changes in their voting shares in the total number of votes in the Stalprodukt S.A. company.

At present, the Shareholders concerned jointly hold 2.781.866 Company's shares, representing 49.85 % of the share capital, authorizing to 8.041.366 votes at the Stalprodukt S.A. General Meeting of Shareholders and accounting for 65.92 % of the total number of the Company's votes.

The Issuer disclosed the information on the above notification in the Current Report No 28/2016 dated 1 July 2016 r.

The above information stands in accordance with the Company's best knowledge as possessed on the preparation day of the present Report.

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

a) Managerial Officers

Name and surname	Updated number of shares of Stalprodukt S.A. (as of 30.06.2016)	Number of previously held shares of Stalprodukt S.A. (as of 31.03.2016)	Changes in the Issuer's Ownership Structure
Piotr Janeczek	114 865	114 865	Did not occur
Józef Ryszka	504	504	Did not occur
Łukasz Mentel *	100	-	Purchase of 100 shares

* Łukasz Mentel was appointed as a new Member of the Management Board of Stalprodukt S.A. on 28

**Semi-Annual Report on Stalprodukt S.A. Capital Group's Activities for the period
from 1.01.2016 to 30.06.2016**

July 2016 (Current Report No 29/2016).

b) Supervisory Officers

Name and surname	Updated number of shares of Stalprodukt S.A. (as of 30.06.2016)	Number of previously held shares of Stalprodukt S.A. (as of 31.03.2016)	Changes in the Issuer's Ownership Structure
Stanisław Kurnik	2 900	2 900	Did not occur
Maria Sierpińska	11 880	11 880	Did not occur
Kazimierz Szydłowski	3 462	7 200	disposal of 3 738 shares
Janusz Bodek	62 640	62 640	Did not occur

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

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

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

5.6. Transactions with Associated Companies

The transactions with associated companies in the 1st half of 2016 are concerned with:

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

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

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

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

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

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

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

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

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

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

5.10. Composition of Management Board's and Supervisory Board

Management Board Composition

In the period from 1 January 2016 to 30 June 2016, the Stalprodukt Management Board was composed of:

- | | |
|----------------|--------------------------|
| Piotr Janeczek | - President of the Board |
| Józef Ryszka | - Member of the Board |

Supervisory Board Composition

In the period from 1 January 2016 to 20 June 2016, the Stalprodukt Supervisory Board was composed of:

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

In connection with the expiry of the Supervisory Board's tenure, on 20 June 2016 the Stalprodukt S.A. General Meeting of Shareholders elected a new Supervisory Board which will be composed of:

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

The present Report on the Activities of the Stalprodukt S.A. Capital Group was approved for publication by the parent company's Management Board on 29.08.2016.

**Semi-Annual Report on Stalprodukt S.A. Capital Group's Activities for the period
from 1.01.2016 to 30.06.2016**

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

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

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