The Stalprodukt S.A. Capital Group

Consolidated Financial Report for the 1st half of 2020

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

Bochnia, August 2020

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

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Selected Financial Data

SELECTED FINANCIAL DATA	thousand x PLN		thousand x EUR	
	1st half 2020 increasingly for the period from 01-01-2020 to 30-06-2020	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019	1st half 2020 increasingly for the period from 01-01-2020 to 30-06-2020	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019
I. Net sales of products, goods and materials	1 647 097	1 949 752	370 859	454 700
II. Operating profit (loss)	94 072	132 444	21 181	30 887
III. Profit (loss) before taxation	96 045	124 997	21 625	29 150
IV. Net profit (loss)	81 820	96 120	18 423	22 416
- attributable to shareholders of the parent company	77 167	89 303	17 375	20 826
- net profit attributed to non-controlling interests	4 653	6 817	1 048	1 590
V. Net cash flow from operating activities	159 618	28 509	35 939	6 648
VI. Net cash flow from investment activities	-141 412	-124 234	-31 840	-28 972
VII. Net cash flow from financial activities	-34 206	991	-7 702	231
VIII. Total net cash flow	-16 000	-94 734	-3 603	-22 093
IX. Total assets	4 294 505	4 345 081	961 600	1 020 331
X. Liabilities and provisions for liabilities	1 509 834	1 587 056	338 073	372 680
XI. Long-term liabilities	510 300	530 197	114 263	124 503
XII. Short-term liabilities	545 316	620 318	122 104	145 666
XIII. Shareholders' equity	2 784 671	2 758 025	623 527	647 652
- equity attributable to shareholders of the parent	2 676 933	2 650 456	599 403	622 392
- equity attributed to non-controlling interests	107 738	107 569	24 124	25 260
XIV. Share capital	11 161	11 161	2 499	2 621
XV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XVI. Profit (loss) for one ordinary share (in PLN)	14,66	17,22	3,30	4,02
XVII. Diluted profit (loss) per ordinary share (PLN)	14,66	17,22	3,30	4,02
XVIII. Book value per share (PLN)	499,02	494,25	111,74	116,06
XIX. Declared or paid-out dividend for one share in (PLN/EUR)		5,00		1,16

1. 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 2019. Other comparable data is presented for the period from 1st January 2019 to 30th June 2019.
2. EUR exchange rates according to the following principles were used for the conversion of the currency into PLN:
   - the assets and liabilities items of the balance sheet were converted into EUR according to the average rate announced by the National Bank of Poland for this 30th June 2020 and amounting to PLN 4.4660 and PLN 4.2585 for this 31st December 2019.
   - 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 4.4413 for 1st half 2020 and PLN 4.2880 for 1st half of 2019.
3. For profit-per-share calculation the number of 5,580,267 shares was adopted.

Consolidated balance sheet for 30.06.2020

CONSOLIDATED BALANCE SHEET	thousand x PLN		
	30.06.2020	31.12.2019	30.06.2019
Assets			
I. Fixed assets	**2 452 955**	**2 406 886**	**2 380 694**
1. Intangible fixed assets, including:	229 435	207 326	232 599
- right of perpetual land use	128 553	129 769	124 641
- goodwill	17 973	17 973	17 973
2. Tangible fixed assets	2 080 662	2 052 279	2 002 072
3. Long-term receivables	750	703	640
4. Long-term investments	30 899	36 748	61 625
4.1. Real estate	10 257	10 678	2 631
4.2. Intangible assets			
4.3. Long-term financial assets	4 524	10 024	42 917
4.5. Investments into associated entities	16 118	16 046	16 077
5. Long-term prepayments	111 209	109 830	83 758
5.1. Deferred income tax assets	39 172	38 521	30 660
5.2. Other prepayments	72 037	71 309	53 098
II. Current assets	**1 841 550**	**1 938 195**	**2 015 966**
1. Inventories	780 863	750 740	834 202
2. Short-term receivables	499 346	590 531	646 386
3. Short-term investments	527 503	564 338	506 341
3.1. Short-term financial assets	466 608	477 669	443 177
a) loans	18 162	18 153	20 153
b) short-term securities	59 945	55 015	45 172
c) cash and cash equivalents	388 501	404 501	377 852
3.2. Other short-term investments	60 895	86 669	63 164
4. Assets held for sale	0	48	0
5. Short-term prepayments	33 838	32 538	29 037
Total assets	**4 294 505**	**4 345 081**	**4 396 660**
Liabilities			
I. Shareholders' equity	**2 784 671**	**2 758 025**	**2 591 540**
1. Equity attributable to shareholders of the parent company	2 676 933	2 650 456	2 489 525
1.1. Share capital	11 161	11 161	11 161
1.2. Exchange differences	3 730	4 092	1 435
1.3. Reserve capital	764 170	667 745	669 777
1.4. Reserve capital from revaluation	26 419	46 280	43 257
1.5. Other reserve capital	1 729 883	1 634 274	1 675 053
1.6. Retained earnings (losses)	64 403	144 410	-461

1.7. Net profit (loss)	77 167	142 494	89 303
2. Capital non-controlling interests	107 738	107 569	102 015
II. Liabilities and provisions for liabilities	**1 509 834**	**1 587 056**	**1 805 120**
1. Provisions for liabilities	409 797	414 170	376 922
1.1. Provision for deferred income tax	140 209	144 842	124 698
1.2. Other provisions	269 588	269 328	252 224
a) long-term	174 842	185 380	191 531
b) short-term	94 746	83 948	60 693
2. Long-term liabilities	510 300	530 197	571 734
2.1. Long-term credits and loans	97 643	110 893	139 028
2.3. Other liabilities	116 542	123 189	52 839
2.4. Contingent liabilities due to the purchase of ZGH	296 115	296 115	296 115
3. Short-term liabilities	545 316	620 318	804 735
3.1. Short-term credits and loans	34 795	44 010	177 971
3.2. Current part of long-term credits and loans	20 000	20 897	20 000
3.3. Trade liabilities	281 807	337 355	303 737
3.4. Public and legal obligations	40 884	38 877	7
3.5. Other short-term liabilities	167 830	179 179	303 020
4. Accruals	44 421	22 371	51 729
Total liabilities	**4 294 505**	**4 345 081**	**4 396 660**
Book value	2 784 671	2 758 025	2 591 540
Number of shares	5 580 267	5 580 267	5 580 267
Book value per share (PLN)	499,02	494,25	464,41

Consolidated profit and loss account for the period 01.01.2020 - 30.06.2020

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the period	thousand x PLN	
	1st half 2020 increasingly for the period from 01-01-2020 to 30-06-2020	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019
I. Net sales of products, goods and materials,	**1 647 097**	**1 949 752**
1. Net sales of products	1 609 850	1 904 929
2. Net sales of goods and materials	37 247	44 823
II. Costs of products, merchandise and	**1 443 265**	**1 700 991**
1. Production cost of products sold	1 410 809	1 660 938
2. Value of goods and materials sold	32 456	40 053
III. Gross profit (loss) on sales	**203 832**	**248 761**
IV. Selling costs	40 011	40 967
V. General and administrative costs	73 388	75 616
VI. Profit (loss) on sales	**90 433**	**132 178**
VII. Other operating incomes	42 521	18 647
VIII. Other operating costs	38 882	18 381
IX. Operating profit (loss)	**94 072**	**132 444**
X. Financial incomes	14 822	7 379
XI. Financial costs	12 882	14 859
XII. Profit from shares in associated entities	33	33
XIII. Profit (loss) before taxation	**96 045**	**124 997**
XIV. Income tax	14 225	28 877
XV. Net profit (loss)	**81 820**	**96 120**
1. Attributable to shareholders of the parent	77 167	89 303
2. Attributed to non-controlling interests	4 653	6 817
Profit (loss) net	81 820	96 120
Weighted average number of ordinary shares	5 580 267	5 580 267
Profit (loss) for one ordinary share (in PLN)	14,66	17,22

Total comprehensive consolidated income for the period 01.01.2020-30.06.2020

Total comprehensive consolidated income	thousand x PLN	
	1st half 2020 increasingly for the period from 01-01-2020 to 30-06-2020	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019
Net result	81 820	96 120
Valuation differences		
The effective part of the cash flow hedging in accordance with IFRS 9	-21 368	-22 031
Total Comprehensive Income	**60 452**	**74 089**
Total comprehensive income attributable to the parent company shareholders	57 387	70 325
Total comprehensive income attributed to non-controlling interests	3 065	3 764

Statement of changes in consolidated equity for the period 01.01.2020 – 30.06.2020

Statement of changes in equity for the period from 1st January to 30th June 2020 and 2019	thousand x PLN								
	Share capital	Exchange differences	Reserve capital	Capital from revaluation	Other reserve capital	Retained profits	Current year net profit	Capital non-controlling interests	Equity TOTAL
Balance on this 1.01.2020 (opening balance)	**11 161**	**4 092**	**667 745**	**46 280**	**1 634 274**	**286 904**		**107 569**	**2 758 025**
Profit distribution			95 906		95 609	-191 515			**0**
Intercapital and consolidation transfer		-362	519	1 507		-28 169		-4 484	**-30 989**
Dividend						-2 817			**-2 817**
Total comprehensive income for period 1.01 - 30.06.2020, including:				-21 368			77 167	4 653	**60 452**
Valuation of hedging transactions				*-21 368*					*-21 368*
Balance on this 30.06.2020 (closing balance)	**11 161**	**3 730**	**764 170**	**26 419**	**1 729 883**	**64 403**	**77 167**	**107 738**	**2 784 671**
Balance on this 1.01.2019 (opening balance)	**11 161**	**2 493**	**561 927**	**65 288**	**1 574 552**	**378 126**		**106 293**	**2 699 840**
Profit distribution			105 738		98 661	-204 399			**0**
Profit (loss) from previous years - due to the application of IFRS 16						-29 993			**-29 993**
Intercapital and consolidation transfer		-1 058	2 112		1 840	-16 624		-11 095	**-24 825**
Dividend						-127 571			**-127 571**
Total comprehensive income for period 1.01 - 30.06.2019, including:				-22 031			89 303	6 817	**74 089**
Valuation of hedging transactions				*-22 031*					*-22 031*
Balance on this 30.06.2019 (closing balance)	**11 161**	**1 435**	**669 777**	**43 257**	**1 675 053**	**-461**	**89 303**	**102 015**	**2 591 540**

Consolidated cash flow account for the period 01.01.2020-30.06.2020

CONSOLIDATED CASH FLOW ACCOUNT for the period	thousand x PLN	
	1st half 2020 increasingly for the period from 01-01-2020 to 30-06-2020	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019
Profit before taxation	**96 045**	**124 997**
Tax paid	**24 446**	**28 877**
A. Cash flow from operational activity - indirect method	**159 618**	**28 509**
I. Net profit (loss)		
II. Total adjustments	88 019	-67 611
1. Net profit share of entities – valuation with equity method	33	2 162
2. Depreciation	84 058	81 827
3. (Profit) loss from exchange rate fluctuations	-320	199
4. Interest and profit share (dividends)	7 049	789
5. (Profit) loss on investment activities	-578	3 176
6. Change in reserves	3 986	-17 618
7. Change in inventories	-29 422	-34 424
8. Change in receivables	101 124	-16 600
9. Change in short-term liabilities except for loans and credits	-75 025	-84 547
10. Change in accruals	1 313	-1 203
11. Correction from deferred income tax	-4 199	-1 372
III. Net cash flow from operating activities	**159 618**	**28 509**
B. Cash flow from investment activity	**-141 412**	**-124 234**
I. Inflows	28 028	2 732
1. Sales of intangible and tangible fixed assets	228	350
2. Sales of real estate properties and intangible assets		
3. From financial assets, including:	27 800	2 382
- financial assets sold	27 721	2 253
- dividends and profit share received		
- repayment of long-term loans granted		
- interest received	79	129
- other inflows from financial assets		
4. Other investment inflows		
II. Outflows	-169 440	-126 966
1.Purchase of intangible and tangible fixed assets	-131 572	-121 299
2. Real estate property and intangible assets		
3. To financial assets, including:	-32 830	-5 667
- financial assets purchased	-32 830	-4 894
- long-term loans granted		-773
4. Other investment outflows	-5 038	
III. Net cash flow from investment activities	-141 412	-124 234
C. Cash flow from financial activity	**-34 206**	**991**
I. Inflows	7	31 587

1. Net inflows from issue of shares, other capital instruments and capital receipts	7	
2. Credits and loans		21 866
3. Issue of debentures		
4. Other financial inflows		9 721
II. Outflows	-34 213	-30 596
1. Purchase of own shares		
2. Dividends and other dues paid to shareholders	-15	-2 465
3. Outflows from profit distribution, other than dues paid to shareholders		
4. Credits and loans repaid	-23 376	-16 575
5. Redemption of debentures		
6. From other financial liabilities		
7. Contractual payments of financial leasing dues	-4 001	-4 956
8. Interest paid	-6 709	-6 600
9. Other financial outflows	-112	
III. Net cash flow from financial activities	**-34 206**	**991**
D. Total net cash flow	**-16 000**	**-94 734**
E. Balance sheet change in cash, including:	-16 000	-94 734
F. Cash (beginning of period)	404 501	472 586
G. Cash (end of period), including:	388 501	377 852
- of limited access and disposal	18 934	2 766

Explanations to the cash flow statement (in PLN thousand):	
explanation to obligations - mainly adjustments relating to ZGH Bolesław	
adjustment due to the change in liabilities resulting from the acquisition of tangible fixed assets	23 705
adjustment for the calculation of corporate income tax	-664
- acquisition of financial lease	-723
adjustment for a change in liabilities due to revaluation of financial assets with equity	-17 725
adjustment for a change in the balance of other financial liabilities	-14 742
Total	**-10 149**
explanations to receivables	
change in receivables due to income tax of ZGH	11 037
explanations to the change in provisions	
- provision for deferred income tax charged to the capital from the revaluation of ZGH	4 828
explanations to inventories	
stock adjustment of spare parts and other transfers	-701

Abridged Financial Report for the 1st half of 2020

Selected Financial Data

Selected Financial Data	thousand x PLN		thousand x EUR	
	1st half 2020 increasingly for the period from 01-01-2020 to 30-06-2020	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019	1st half 2020 increasingly for the period from 01-01-2020 to 30-06-2020	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019
I. Net sales of products, goods and	654 351	802 892	147 333	187 242
II. Operating profit (loss)	26 655	1 544	6 002	360
III. Profit (loss) before taxation	28 875	3 611	6 501	842
IV. Net profit (loss)	28 235	1 325	6 357	309
V. Net cash flow from operating activities	64 381	-1 566	14 496	-365
VI. Net cash flow from investment	-7 001	-3 862	-1 576	-901
VII. Net cash flow from financial activities	-14 322	10 158	-3 225	2 369
VIII. Total net cash flow	43 058	4 730	9 695	1 103
IX. Total assets	2 128 075	2 148 481	476 506	504 516
X. Liabilities and provisions for liabilities	420 694	469 336	94 199	110 212
XI. Long-term liabilities	95 602	107 126	21 407	25 156
XII. Short-term liabilities	215 922	251 909	48 348	59 154
XIII. Shareholders' equity	1 707 381	1 679 145	382 307	394 304
XIV. Share capital	11 161	11 161	2 499	2 621
XV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XVI. Profit (loss) per ordinary share (PLN)	5,06	0,24	1,14	0,06
Diluted profit (loss) per ordinary share	5,06	0,24	1,14	0,06
XVII. Book value per share (PLN)	305,97	300,91	68,51	70,66
XVIII. Declared or paid-out dividend for one share in (PLN/EUR)		5,00		1,16

1. Comparable financial data (item IX-XIV and XVII) was presented pursuant to the requirements of the International Financial Reporting Standards according to the balance for this 31st December 2019. Other comparable data is presented for the period from 1st January 2019 to 30th June 2019.
2. EUR exchange rates according to the following principles were used for the conversion of the currency into PLN:
- the assets and liabilities items of the balance sheet were converted into EUR according to the average rate announced by the National Bank of Poland for this 30th June 2020 and amounting to PLN 4.4660 and PLN 4.2585 for this 31st December 2019.
- 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 4.4413 for 1st half 2020 and PLN 4.2880 for 1st half of 2019.
3. For profit-per-share calculation the number of 5,580,267 shares was adopted.

Balance sheet for 30.06.2020

BALANCE SHEET	thousand x PLN		
	30.06.2020	31.12.2019	30.06.2019
Assets			
I. Fixed assets	**1 503 182**	**1 521 494**	**1 532 444**
1. Intangible fixed assets, including	117 650	118 340	116 017
- right of perpetual land use	86 406	86 920	85 413
2. Tangible fixed assets	805 530	822 231	831 097
3. Long-term receivables			
4. Long-term investments	577 490	578 411	583 227
4.1. Real estate investments	51 371	52 317	55 225
4.2. Intangible assets			
4.3. Long-term financial assets	526 119	526 094	528 002
4.4. Other long-term investments			
5. Long-term prepayments	2 512	2 512	2 103
5.1. Deferred income tax assets	2 512	2 512	2 103
5.2. Other prepayments			
II. Current assets	**624 893**	**626 987**	**646 274**
1. Inventories	274 782	300 833	322 404
2. Short-term receivables	232 086	251 769	265 935
- including dividend receivables			
- including trade receivables in excess of one year	327	435	445
3. Short-term investments	116 044	74 080	55 925
3.1. Short-term financial assets	114 979	73 121	55 842
a) loans	20 300	21 500	23 500
b) cash and cash equivalents	94 679	51 621	32 342
3.2. Other short-term investments	1 065	959	83
4. Short-term prepayments	1 981	304	2 010
Total assets	**2 128 075**	**2 148 481**	**2 178 718**
Liabilities			
I. Shareholders' equity	**1 707 381**	**1 679 146**	**1 588 097**
1. Share capital	11 161	11 161	11 161
2. Reserve capital	103 749	103 749	104 184
3. Reserve capital from revaluation			
4. Other reserve capital	1 592 870	1 500 062	1 500 062
5. Retained earnings (losses)	-28 634	-28 634	-28 635
6. Net profit (loss)	28 235	92 808	1 325
II. Liabilities and provisions for liabilities	**420 694**	**469 335**	**590 621**
1. Provisions for liabilities	**103 125**	**105 133**	**108 409**
1.1. Provision for deferred income tax	75 853	75 325	74 071
1.2. Other provisions	27 272	29 808	34 338
a) long-term	20 964	25 948	32 720
b) short-term	6 308	3 860	1 618
2. Long-term liabilities	**95 602**	**107 126**	**119 988**

2.1. Long-term credits and loans	40 000	50 000	65 000
2.2. Long-term liabilities - due to the application of IFRS 16	55 602	57 126	54 988
3. Short-term liabilities	**215 922**	**251 909**	**355 803**
3.1. Short-term credits and loans	0	0	133 648
3.2. Current part of long-term credits and loans	20 000	20 000	20 000
3.3. Trade liabilities	168 592	203 539	145 058
- including trade receivables in excess of one year	3 025	2 455	2 075
3.4. Other short-term liabilities	27 330	28 370	
4. Accruals	**6 045**	**5 167**	**6 421**
Total liabilities	**2 128 075**	**2 148 481**	**2 178 718**
Book value	1 707 381	1 679 145	1 588 097
Number of shares	5 580 267	5 580 267	5 580 267
Book value per share (PLN)	305,97	300,91	284,59
Diluted number of shares	5 580 267	5 580 267	
Diluted book value per share (PLN)	305,97	300,91	

Profit and loss account for the period 01.01.2020-30.06.2020

PROFIT AND LOSS ACCOUNT for the period	thousand x PLN	
	1st half 2020 increasingly for the period from 01-01-2020 to 30-06-2020	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019
I. Net sales of products, goods and	**654 351**	**802 892**
1. Net sales of products	522 910	651 173
2. Net sales of goods and materials	131 441	151 719
II. Costs of products, goods and materials	**595 169**	**754 956**
1. Production cost of products sold	466 691	604 795
2. Value of goods and materials sold	128 478	150 161
III. Gross profit (loss) on sales	**59 182**	**47 936**
IV. Selling costs	20 521	22 756
V. General and administrative costs	17 030	20 773
VI. Profit (loss) on sales	**21 631**	**4 407**
VII. Other operating incomes	10 646	726
VIII. Other operating costs	5 622	3 589
IX. Operating profit (loss)	**26 655**	**1 544**
X. Financial incomes	6 127	8 094
XI. Financial costs	3 907	6 027
XII. Profit (loss) before taxation	**28 875**	**3 611**
XIII. Income tax	642	2 286
XIV. Net profit (loss)	**28 235**	**1 325**
Net profit (loss)	28 235	1 325
Weighted average number of ordinary shares	5 580 267	5 580 267
Profit (loss) per ordinary share (PLN)	5,06	0,24
Weighted average predicted number of ordinary		
Diluted profit (loss) per ordinary share (PLN)	5,06	0,24

Total comprehensive income for the period 01.01.2020-30.06.2020

TOTAL COMPREHENSIVE INCOME for the period	thousand x PLN	
	1st half 2020 increasingly for the period from 01-01-2020 to 30-06-2020	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019
Net result	28 235	1 325
Total Comprehensive Income	**28 235**	**1 325**

Statement of changes in equity for the period 01.01.2020-30.06.2020

Statement of changes in equity for the period from 1st January to 30th June 2020 and 2019	thousand x PLN						
	Share capital	Supplementary capital	Revaluation reserve	Other reserve capital	Retained profits	Current year net profit	Equity TOTAL
Balance on this 01.01.2020 (opening balance)	**11 161**	**103 749**		**1 500 062**	**64 174**		**1 679 146**
Profit distribution				**92 808**	**-92 808**		**0**
Intercapital transfer							**0**
Dividend							**0**
Profit (loss) from previous years - due to the application of IFRS 16							**0**
Total comprehensive income for period 1.01 - 30.06.2020						28 235	**28 235**
Balance on this 30.06.2020 (closing balance)	**11 161**	**103 749**		**1 592 870**	**-28 634**	**28 235**	**1 707 381**
Balance on this 01.01.2019 (opening balance)	**11 161**	**104 184**		**1 402 915**	**114 616**		**1 632 876**
Profit distribution				**97 147**	**-97 147**		**0**
Intercapital transfer							
Dividend					-27 901		**-27 901**
Profit (loss) from previous years - due to the application of IFRS 16					-18 203		**-18 203**
Total comprehensive income for period 1.01 - 30.06.2019						1 325	**1 325**
Balance on this 30.06.2019 (closing balance)	**11 161**	**104 184**		**1 500 062**	**-28 635**	**1 325**	**1 588 097**

Cash flow account for the period 01.01.2020-30.06.2020

CASH FLOW ACCOUNT for the period	thousand x PLN	
	1st half 2020 increasingly for the period from 01-01-2020 to 30-06-2020	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019
Profit before taxation	**28 875**	**3 611**
Tax paid		
A. Cash flow from operating activities – indirect method	**64 381**	**-1 566**
I. Net profit (loss)		
II. Total adjustments	35 506	-5 177
1. Depreciation	26 989	25 740
2. (Profit) loss from exchange rate fluctuations		
3. Interest and profit share (dividends)	-1 412	-1 762
4. (Profit) loss on investment activities	0	416
5. Change in reserves	3 030	-148
6. Change in inventories	27 277	54 703
7. Change in receivables	19 684	16 671
8. Change in short-term liabilities except for loans and credits	-37 452	-97 167
9. Change in accruals	-789	-1 344
10. Correction from the title deferred tax and other adjustments	-1 821	-2 286
III. Net cash flow from operating activities	**64 381**	**-1 566**
B. Cash flow from investment activities	**-7 001**	**-3 862**
I. Inflows	7 071	9 228
1. Sales of intangible and tangible fixed assets	0	29
2. Sales of real estate properties and intangible assets		
3. From financial assets, including:	7 071	9 199
- financial assets sold		
- dividends and profit share received	5 515	7 570
- repayments of long-term loans granted		
- interest received	56	129
- other inflows from financial assets	1 500	1 500
4 . Other investment inflows		
II. Outflows	-14 072	-13 090
1. Purchase of intangible and tangible fixed assets	-8 708	-13 090
2. Real estate property and intangible assets		
3. To financial assets, including:	-325	
- financial assets purchased	-25	
- long-term loans granted	-300	
4. Other investment outflows	-5 039	
III. Net cash flow from investment activities	-7 001	-3 862
C. Cash flow from financial activities	**-14 322**	**10 158**

I. Inflows	0	20 974
1. Net inflows from issue of shares, other capital instruments or capital receipts		
2. Credits and loans	0	20 974
3. Issue of debentures		
4. Other financial inflows		
II. Outflows	-14 322	-10 816
1. Purchase of own shares		
2. Dividends and other dues paid to shareholders		
3. Outflows from profit distribution, other than dues paid to shareholders		
4. Credits and loans repaid	-10 000	-5 000
5. Redemption of debentures		
6. From other financial liabilities		
7. Contractual payments of financial lease dues	-57	-2 069
8. Interest paid	-4 159	-3 747
9. Other financial outflows	-106	
III. Net cash flow from financial activities	-14 322	10 158
D. Total net cash flow	**43 058**	**4 730**
E. Balance sheet change in cash	**43 058**	**4 730**
F. Cash (beginning of period)	**51 621**	**27 612**
G. Cash (end of period)	**94 679**	**32 342**
- those with limited disposal-VAT	6 324	1 584

Notes to the cash flow statement (in PLN thousand):

change in inventory - adjustment for spare parts transferred to fixed assets: PLN 1,225.8 thousand
change in provisions - transfer of the repaid liability concerning investing activities: PLN 5,039 thousand
change in liabilities - adjustment of the liability due to valuation of the right of perpetual usufruct of land according to IFRS 16: PLN 57 thousand
change in prepayments and accruals - adjustment for prepayments and accruals for repairs transferred to fixed assets: PLN 9.5 thousand
in the item other adjustments: redemption of CO_2 emission rights PLN 1,180.1 thousand, and adjustment for deferred tax: PLN 641.5 thousand

Additional Information (Abridged Consolidated Financial Report for 1st half of 2020)

Introductory Information

The basic data

Apart from the Parent Company, the Stalprodukt S.A. Capital Group embraces 9 entities which constitute subsidiary companies. As of 30.06.2020, Stalprodukt S.A. held 100% shares In its subsidiary companies except for: Zakłady Górniczo-Hutnicze „Bolesław" S.A., where it holds 94.93% of shares.

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

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

- production of electrical transformer sheets – parent company Stalprodukt S.A., GO Steel Frydek Mistek a.s.
- production of cold formed profiles, road safety barriers as well as cut-to-length cold- and hot-rolled sheets and strips – parent company Stalprodukt S.A.,
- non-ferrous metal ores mining and zinc and lead production – ZGH "Bolesław" S.A. along with its subsidiary companies:

- Zinc Smelter - Huta Cynku "Miasteczko Śląskie" S.A. – production of rectified zinc, lead and cadmium,
- Bol-Therm Sp. z o.o. – power supply-, laboratory-, mechanics and construction-related services, transport-equipmpent and forwarding services, production of dolomite aggregates, zinc products and zinc alloys,
- Gradir Montenegro d.o.o. – zinc ores mining and concentrate production,
- Agencja Ochrony Osób i Mienia "Karo" Sp. z o.o. – bodyguard and property security services,

- trade activities:

- Stalprodukt-Centrostal Kraków Sp. z o.o., managing trade offices in Gliwice, Włocławek, Wrocław, Szczecin and Radom,
- Stalprodukt - Zamość Sp. z o.o.,

- other production- and services-related activities:

- production of galvanized banding steel and wire, as well as steel strips - Cynk-Mal S.A.,
- production of cold-rolled sheets - GO Steel Frydek Mistek a.s.

- spare parts production and regeneration - Stalprodukt-Wamech Sp. z o.o.,
- installation, repair/renovation and maintenance of machines - Stalprodukt-Wamech 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-Wamech 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

In relation to the first six months of 2019, a comparable period for this consolidated financial statement, the following changes in the Issuer’s Capital Group structure took place:

1.1. On 9th March 2019 the Extraordinary General Meeting of the companies: Przedsiębiorstwo Robót Drogowych (Highways, Street and Bridge Construction Company) in Olkusz Joint-Stock Company (the acquired company) and ‘Boltech’ Ltd. (the acquiring company), acting according to Art. 506 cl.1 of the Commercial Companies Code, passed the merger act. The merger took place through an acquisition, without creating new shares or increasing the share capital of the acquiring company and without changing the acquiring company’s Articles of the Association (merger through acquisition). The merger was recorded in the Business Register of the National Court Register, for the acquiring company in the District Court in Kraków - Śródmieście, Cracow, 12th Commercial Department of the National Court Register on 1st April, 2019 (day of the merger).

1.2. Stalprodukt-Wamech Ltd., Stalprodukt-Serwis Ltd. and Stalprodukt-MB Ltd. accepted their merger plan and subsequently informed about their intention to merge, providing all the legally-required documentation on their websites on 31st May 2019. The merger of the companies will take place according to art. 492 § 1 point 1) of the Commercial Companies Code, i.e. by transferring all the assets of the companies ‘Stalprodukt-Serwis’ Ltd. and Stalprodukt-MB Ltd. (the acquired companies) to ‘Stalprodukt-Wamech’ Ltd. (the acquiring company) for the shares that the acquiring company will hand over to the previous (the only) partner of the acquired companies, increasing simultaneously the share capital of the acquiring company.
Within the framework of the merger the share capital of the acquiring company Stalprodukt-Wamech Ltd. will be raised from the amount of 1,200,000 PLN (read: one million two hundred thousand zlotys) up to the amount of 4,270,000 PLN (read: four million two hundred and seventy thousand zlotys) by issuing 3,070 (read: three thou and seventy) new shares with the face value equal 1,000 PLN (read: one thousand zlotys) each and with the total face value equal 3,070,000 PLN (read: three million

seventy thousand zlotys). These new shares shall be covered by the only company's partner, i.e. Stalprodukt Joint-Stock Company in Bochnia, in return for all its shares in the acquired companies.

The Issuer would also like to inform that the National Court Register recorded the merger of 'Stalprodukt-Serwis' Ltd. (on 18th July, 2019) and 'Stalprodukt-MB' (on 31st July, 2019) in the companies' registers. The merger of the abovementioned companies was registered by the National Court Register in the register of the acquiring company (Stalprodukt-Wamech Sp. z o.o.) on 3 September 2019.

The objectives of the planned merger are as follows: streamlining the management of the Stalprodukt Capital Group through consolidation of the auxiliary companies in relation to the Issuer (mainly provision of the so-called after-sales services), optimising the companies' operations resulting from combining their technical, financial and human resource potential, decreasing their operational costs as well as gaining the effects of synergy.

2. There was an increase in the share in the capital of ZGH "Bolesław" S.A. to 94.93% at the end of 2019 against 94.92% at the end of the comparative period. The increase was made as part of the buyout of employee shares of ZGH "Bolesław" S.A.
3. On 16 December 2019, the District Court for Kraków-Śródmieście in Kraków, XII Commercial Department of the National Court Register issued a decision (reference number KR.XII NS- REJ.KRS / 017644/19/26) to amend the Entrepreneurship Register of the National Court Register of the Company F&R Finanse sp. z o.o. with its registered office in Jawornik, involving the removal from the register of that company the ZGH "Boleslaw" S.A. as its partner. The company was removed from the register in connection with the redemption of all 12,300 shares held by the ZGH "Bolesław" S.A. in F & R Finanse sp. z o.o. with a nominal value of PLN 6,150,000.00, representing a 19.68% share in the company's share capital. The redemption took place at the request of ZGH "Bolesław" S.A. (voluntary redemption) from net profit, without reducing the share capital, for a total remuneration of PLN 9,254,766.00, i.e. for the remuneration of PLN 752.42 per share. The ZGH "Boleslaw" S.A. assumed that the continuation of shareholding in F&R Finanse sp. z o.o. is pointless and, consequently, it recognized the legitimacy of capitalization of the said shares and allocate obtained in this way funds to the company development objectives.

Subsidiary

In the reporting year, the Stalprodukt Capital Group embraced the following subsidiary companies and companies consolidated at the level of ZGH "Bolesław" S.A. Additionally, the Parent Company and its subsidiaries also hold shares in the entities, over which they do not hold control, joint control or over which they do not exert significant influence, as determined pursuant to IFRS 10, IFRS11 and IAS 28.

No	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	nature of the relation (subsidiary, interdependent unit, associate, with specification of direct and indirect relations)	the applied method of consolidation/ equity valuation method, or indication that the unit is not subject to consolidation/ equity valuation method	date of take- over of control/ joint control/ obtaining a significant impact	percentage of capital held	share of the total number of votes at a general meeting	share of the Parent Company
1.	Stalprodukt-Wamech sp. z o.o.	Bochnia	production of spare parts and repair services	subsidiary	full consolidation	05.12.1997	100,00	100,00	100,00
2.	Stalprodukt-Centrostal sp. z o.o.	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997	100,00	100,00	100,00
3.	Stalprodukt-Zamość sp. z o.o.	Zamość	woodwork production and trade of metallurgical products	subsidiary	full consolidation	09.12.1997	100,00	100,00	100,00
4.	Stalprodukt-Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000	100,00	100,00	100,00
5.	STP Elbud sp. z o.o.	Kraków	manufacture of structures and galvanizing services	subsidiary	full consolidation	01.06.2005	100,00	100,00	100,00
6.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008	100,00	100,00	100,00
7.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	100,00	100,00	100,00
8.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	94.93	94.93	94.93
9.	GO Steel Frydek Mistek a.s.	Frydek Mistek	production of electrical transformer sheets and cold-rolled sheets	subsidiary	full consolidation	01.03.2018	100,00	100,00	100,00
10.	BOLTECH Sp. z o.o.	Bukowno	heat supplies, alterations/ repair services, production of zinc product dolomite aggregate zinc products, transport- & equipment- related services.	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	01.03.2004	100,00	100,00	94,93
11.	Karo Sp. z o.o.	Bukowno	Investigative, detective and security-related activities	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	01.03.2004	100,00	100,00	94,93
12.	Huta Cynku Miasteczko Śląskie S.A.	Miasteczko Śląskie	production and sales of zinc, lead and alloys of these metals	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	29.09.2010	92,82	92,82	88,11

13.	Gradir Montenegro d.o.o. Niksic	Novaka Ramowa	zinc and lead mining and production of metal concentrates	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	11.07.2011	99,61	99,61	94,56
14.	Polska Technika Zabezpieczeń Sp z.o.o.	Warszawa	distribution of construction woodwork	Stalprodukt Zamość Sp. z o.o. subsidiary company	full consolidation	31.12.2015	80,00	74,29	80,00
15.	Stalprodukt-Profil S.A.	Bochnia	trade of metallurgical products	Stalprodukt S.A. subsidiary company	not applicable	not applicable	19,51	19,51	19,51
16.	StalNet Sp. z o.o.	Kraków	Internet commerce	Stalprodukt S.A. subsidiary company	not applicable	not applicable	28,00	28,00	28,00

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

The presented Abridged Consolidated Financial Report was prepared in respect of the period from 1 January 2020 to 30 June 2020 with the use of the full consolidation method, considering all the Group's subsidiaries. The comparable data cover the period from 1 January 2019 to 30 June 2019 referring to the profit and loss account and the cash flow statement, the balance sheet values reflect the status as of 31 December 2019.

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

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

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

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

Accounting Principles (Policy)

1. In the semi-annual abridged consolidated financial report the accounting principles (policy) used, including the assets and liabilities, income and costs valuation methods as well as calculation methods adopted, were identical with the ones presented in detail in the Consolidated Report 2019.

   In the reporting period no important 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 2020 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 2019.
3. The information contained in the Consolidated Financial Report was compiled in compliance with the principles pertaining to the assets and liabilities valuation and net financial result measurement, defined as of the balance sheet day, in compliance with IFRS adopted by the European Union and interpretations related thereto, announced in the form of the European Commission Regulations, with the principle of materiality observed.
4. Since January 2019 the Issuer has applied MSSF 16 to record and present the perpetual usufruct in the form of leasing. The effect of applying MSSF 16 was described in the consolidated and single report for 2019.

Estimated values

The estimates for the first half of 2020 refer to the consolidated financial statements:

- Provision for deferred tax was increased by PLN 4,962 thousand, decreased by PLN 9 595 thousand.

- Reversal of inventories in the amount of PLN 1,307.2 thousand was reversed (Stalprodukt S.A.), in the zinc segment, an allowance for inventories of finished products was created in the amount of PLN 3,275.8 thousand.
- Provision of doubtful receivables was created in the amount of PLN 293.6 thousand, and dissolved in the amount of PLN 734 thousand.
- Provision was created for employee benefits in the amount of PLN 7,739 thousand and employee benefit reserves were dissolved in the amount of PLN 10,796 thousand,
- Provision was created for electricity origin certificates and C02 emission allowances in the amount of PLN 18,462 thousand and dissolved in the amount of PLN 19,256 thousand,
- Provision was created for repairs to be settled in time in the amount of PLN 9,291 thousand.
- Provision for land reclamation was created - PLN 272 thousand.
- Bonus provision was dissolved in the amount of PLN 128 thousand.

In the consolidated profit and loss account, the amount of PLN 22,463.6 thousand was disclosed in other operating income on account of received free CO2 emission rights and on account of redemption of CO2 emission rights (mainly the Zinc Segment), and in other operating costs on account of redemption of CO2, the amount of PLN 21,283.5 thousand was disclosed.

Stalprodukt SA and STP ELBUD Sp. z o.o. due to the decrease of sales revenues in the period 03-04/2020 as compared to 03-04/2019 benefited from the subsidy to remuneration under the Act of 2 March 2020 on the special arrangements for preventing, counteracting and combating COVID-19, other infectious diseases and crisis situations caused by them and the Act of 31 March 2020 amending the above Act. By the end of June, an additional payment of PLN 6,911 thousand was received, disclosed in other operating income.

In connection with the implementation of the terms and conditions of the bonus ("Earn Out" on the purchase of Go Steel, Agreement of 15 December 2017) set in May 2020, the amount of EUR 1,208,366 was paid to ArcelorMittal S.A. Due to the provision created in 2018 (when settling the purchase price), the transaction is neutral to the individual and consolidated profit or loss.

Item	2020	2019
Goodwill	17,973	17,973
Total capital attributable to non-controlling interests	107,738	107,568
including attributable to non-controlling interests in direct subsidiaries	75,909	76,062
including attributable to non-controlling interests in subsidiaries of ZGH Bolesław	31,829	31,506

The goodwill item in consolidation relates to the ZGH "Bolesław" Group and was created as a result of the settlement of the purchase price of the acquisition of subsidiaries, including Gradir. Gradir was tested for impairment and no risk of impairment was identified.

The minority share in the capital results from shares in the group companies: ZGH "Bolesław" S.A. and PTZ Sp. z o.o.

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 2019.

Income presented in the operational segment breakdown takes into account earnings only from external clients. Between 3 operational segments (electrical sheet segment, profile segment and zinc) there are no transactions. Within the accounting policy (principles) the 'remaining activity' position was identified so that the results of the Capital Group could be balanced. The 'remaining activity' covers assembly, after-sales, security, galvanising services etc. These services are provided by the Companies from the Capital Group for external clients and for the needs of individual segments, which, in the Issuer's assessment, does not constitute transactions between the operational segments. Simultaneously, taking into account the consolidation principles, sales income within the 'remaining activity', generated for the operational segments, was excluded from the consolidation as it was obtained within the Capital Group.

Information on Operating Segments for 1st half of 2020 (PLN Thousand)

Itemization	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	Total Consolidated Value
Segment Revenues	**387 879**	**280 504**	**860 830**	**117 885**	**1 647 098**
Domestic	26 950	205 978	503 701	94 077	830 706
Export	360 930	74 526	357 129	23 807	816 392
Segment Costs	344 240	270 654	763 485	104 897	1 483 276
Segment Result	**43 639**	**9 850**	**97 345**	**12 988**	**163 822**
Other Operating and Financial Revenues Non-Attributable to the Segment					57 377
Other General, Operating and Financial Costs Non-Attributable to the Segment					125 154
Gross Profit					**96 045**
Income Tax					14 225
Net Profit					**81 820**
Segment Assets	938 799	652 579	2 219 829	444 126	4 255 333

Assets Non-Attributable to the Segment					39 172
Total Assets					4 294 505
Liabilities	251 989	199 491	688 740	73 499	1 213 720
Contingent Liabilities					296 115
Total Liabilities					1 509 835
Investment Outlays	1 595	557	51 507	8 403	62 062
Depreciation	20 203	8 922	45 538	9 395	84 058

Information on Operating Segments for 1st half of 2019 (PLN Thousand)

Itemization	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	Total Consolidated Value
Segment Revenues	464 970	358 040	972 311	154 431	1 949 752
Domestic	35 945	259 628	577 937	126 468	999 978
Export	429 025	98 412	394 374	27 963	949 774
Segment Costs	417 127	359 792	818 178	146 861	1 741 958
Segment Result	**47 843**	**-1 752**	**154 133**	**7 570**	**207 794**
Other Operating and Financial Revenues Non-Attributable to the Segment					26 059
Other General, Operating and Financial Costs Non-Attributable to the Segment					108 856
Gross Profit					**124 997**
Income Tax					28 877
Net Profit					**96 120**
Segment Assets	991 879	736 959	2 232 791	407 189	4 368 818
Assets Non-Attributable to the Segment					27 842
Total Assets					4 396 660
Liabilities	352 754	286 503	737 162	132 586	1 509 005
Contingent Liabilities					296 115
Total Liabilities					1 805 120
Investment Outlays	3 268	716	57 131	12125	73 240
Depreciation	19 198	8 752	43 740	9 446	81 136

Assessment of obtained results and financial situation

In the 1st half of 2020, compared to the analogical period of 2019, the Stalprodukt S.A. Capital Group recorded an decrease of sales by PLN 302,654 thousand, i.e. by 15.5 %. At the profit-on-sales level PLN 90,433 thousand was achieved, which accounts for a PLN 41,745 thousand decrease. Whereas at the operating profit level a increase by PLN 94,072 thousand. In the 1st half of 2020, the net profit amounted to PLN 81,820 thousand compared to PLN 96,120 thousand generated in the 1st half of 2019. The difference (amounting to PLN 3,336 thousand) in relation to the initial net profit or loss shown in current report No. 16/2020 of 5 August 2020 and amounting to PLN 78,484 thousand results from the reduction of the provision for deferred income tax in the company of the Zinc Segment.

However, the impact of the COVID-19 pandemic, which had no significant impact on the 1st quarter of 2020, became apparent in the 2nd part of the first half of 2020. It had the most significant impact on the decrease in sales revenue recorded in all segments of the Group's operations, as well as in other operations. It was caused primarily by the lockdown of the Polish economy, but also the economies which are the target markets for particular segments and the related decrease in demand for the Group's products.

At the same time, in the 2nd quarter, i.e. in the period when the impact of the pandemic was the strongest, both the Group and the Parent Company maintained a positive result on sales as well as on the operational level, and a positive net result was achieved. This was caused by maintaining appropriate trade relations in unfavourable conditions and was additionally supported by the weakening of the Polish zloty against the EUR and the USD, the use of derivatives in the Zinc Segment and lower production costs. In addition, in the first half of the year both the Group and the Parent Company reported very strong cash flows at the operating level, amounting to PLN 159.6 million for the Group and PLN 64.3 million for the Parent Company respectively.

As a result, the situation of the Group and the Parent Company in terms of financial liquidity was and is stable. Both the Issuer and the Group maintain appropriate financial liquidity, settle its liabilities towards counterparties, financial institutions and the budget on time.

In the **Electrical Sheets Segment**, the sales volumes of transformer sheets were recorded at a level lower by 11.9% as compared to the 1st half of 2019, which, with a simultaneous drop in prices, resulted in a decrease in the segment's sales revenues by PLN 77,091 thousand, i.e. 16.5%. The drop in prices was partly offset by the weakening of the zloty against the Euro and the US dollar. The share of HIB sheets in the sales volume from the Bochnia plant reached 18%, i.e. 5.6 thousand tonnes. Due to the above and thanks to the reduction of the segment's costs in the 1st half of 2020, the segment's margin, despite a significant drop in revenues, reached a level higher than in the 1st half of 2019, i.e. 11.3% against 10.3%.

At the same time, it should be stressed that the segment continues to experience significant price pressure from customers due to overproduction on a global scale. The situation of producers in the European Union is aggravated by competition with lower production costs from the regions without any charges for CO_2 emissions and lower energy costs.

In the Issuer's opinion, in the 1st half of 2020, the situation related to the level of orders from the segment customers was satisfactory. Despite local restrictions on operations, customers from Italy and Spain were active throughout the whole period, served by both the Bochnia and Frydek-Mistek plants. The development of the situation in the segment will be closely related to the impact of the pandemic on foreign markets, the reaction of the authorities of individual

countries (including the policy of producers from the countries where the pandemic ended), as well as the period of suspension of the upstream activity in ArcelorMittal Poland S.A. Kraków Branch.
Throughout the entire period, the segment had the organisational, production and financial capacity to conduct operations.
In the Issuer's opinion, the unfavourable environment in which the Electrical Sheets Segment operates does not create any grounds for expecting improvement in the 2nd half of 2020. It is difficult to accurately assess the impact of the coronavirus pandemic itself on the situation of the Segment customers, but it will certainly continue to be felt and if the pandemic spreads further, it may contribute to a further decline in orders and sales compared to the previous year. However, in addition to the coronavirus pandemic, the overall market situation and regulatory actions have an equally significant or even greater impact on the activities of the Stalprodukt Sheet Metal Segment. The Issuer's Management Board considers the European Commission's decision on a possible extension (valid until October 2020) of the EU market protection measures for transformer sheets to be a particularly important factor that will affect the future functioning and performance of the Segment. In fact, Stalprodukt submitted a request to the European Commission, together with another European manufacturer, for an expiry review. The abandonment of further protection of the EU market for the sheet metal manufacturers, which is mainly achieved through the mechanism of minimum import prices, will certainly have a very negative impact on the future functioning of the Sheet Metal Segment and will result in further downward pressure on price levels, which, in turn (with increasing market competition) will translate into a decrease in demand for the Segment's products and the level of orders placed.

In the **Profile Segment**, a 15.7% drop in volume sales was recorded in relation to the 1st half of 2019. At the same time, the segment generated sales revenues lower by PLN 77,536 thousand, i.e. by 21.6%. The Profile Segment was most affected by the situation related to the closure of the Polish economy, as well as the economies of foreign target markets. The increased demand felt in the 1st quarter of 2020, collapsed at the turn of April and May and was caused by the closure of production and plants that are customers of the segment. In particular, areas related to the automotive, furniture and steel construction industries should be mentioned. The product group of road barriers performed positively in the segment; the concluded road contracts were and are being continued, and the Issuer has adequate material, financial and personnel resources allowing it to perform its contractual tasks. Despite a significant decrease in sales revenues in relation to the comparative period, the segment recorded a profit of PLN 9.8 million in comparison with the loss of PLN 1.7 million in 2019.

At the same time, the Issuer would like to emphasise that previous expectations as to the systemic solution of the issue of dumped imports, which may have a positive impact on the situation of the company and steel processors, have not been fully resolved, due to, among others, (relatively) high quotas. Imports of steel products (including, among others, pipes and profiles manufactured by Stalprodukt) into the European Union market significantly affect the competitive position of Union producers.

In the 1st half of 2020, the net revenues of the **Zinc Segment** amounted to PLN 860.8 million and were by nearly 11.5% lower than in the corresponding period of the previous year, where sales amounted to PLN 972.3 million. The main reasons for the decrease in revenues were worse zinc quotations by 25% and lead quotations by 10%, with a more favourable exchange rate which partially offset the dynamics of this decrease. The sales volume of flotation galena was also lower by 28%, as a result of mining of lower quality ore. In the 1st half of 2020, the segment's profit was PLN 97,345 thousand and was lower by PLN 56,788 thousand compared with the corresponding period of 2019, i.e. by 36.8%. The coronavirus-related stagnation in many areas of the world economy generally reduced demand for metals and thus their prices:

1st half of 2020

average zinc cash settlement price on the London Metal Exchange USD 2,047 per tonne

average lead cash settlement price on the London Metal Exchange USD 1,762 per tonne

average silver price on the London Bullion Market USD 16.65 per troy ounce (USD 535.20 per kg)

the average PLN/USD exchange rate (NBP) was 4.0085

1st half of 2019

average zinc cash settlement price on the London Metal Exchange USD 2,732 per tonne

average lead cash settlement price on the London Metal Exchange USD 1,962 per tonne

average silver price on the London Bullion Market USD 15.23 per troy ounce (USD 489.7 per kg)

the average PLN/USD exchange rate (NBP) was 3.8002

The price of zinc, converted into PLN, was PLN 8,174 per tonne and was 21% lower than in the 1st half of 2019, when it averaged PLN 10,377 per tonne.

The price of lead, converted into PLN, was PLN 7,043 per tonne and was 6% lower than in the 1st half of 2019, when it averaged PLN 7,458 per tonne.

The price of silver, converted into PLN, was PLN 2,145 per kg, which means a 15% increase compared to the same period last year - an average of PLN 1,861 per kg.

- **METALLURGICAL PRODUCTION.**
  - **zinc production reached 81.2 thousand tonnes** and was higher by 4.4 thousand tonnes (6%) compared to the 1st half of 2019.
  - **refined lead production reached 8.6 thousand tonnes** and was lower by 0.2 thousand tonnes (2%) than in the 1st half of 2019.
  - **silver production (Dore metal) reached 10.0 tonnes** and was higher by 0.8 tonnes (9%) than in the 1st half of 2019.

The economic situation of the ZGH "Bolesław" Group in the 1st half of 2020 was good despite a significant drop in zinc and lead prices on the stock exchange compared to the 1st half of 2019. Sales revenues fell by nearly 11.5% and operating costs fell by 7%. In the 1st half of this year, the segment's margin amounted to 11.3% and was lower than the margin on sales for the 1st half of 2019 (15.8%).

The decrease in margin in the current period is mainly due to:

- a significant drop in the metal stock market prices.
- lower sales volume of flotation galena and refined lead.

The partial offsetting of the decrease in the margin on sales was influenced by:

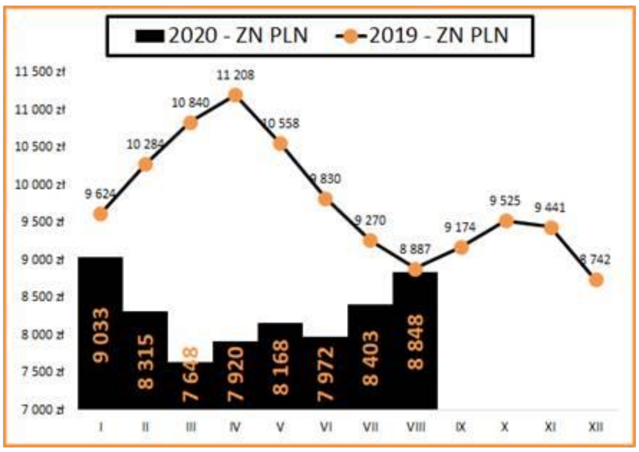
- an increase in the volume of sales of zinc and zinc alloys (by 3.5 thousand tonnes),
- hedging transactions
- lower prices for coke, fine coke and anthracite.

Evaluation of the impact of the coronavirus pandemic on the zinc market.

According to CRU data, in the 2nd quarter of 2020, mining output without China fell by as much as 21% y/y, and with the Middle Kingdom by 13% y/y. In fact, this impact can be considered even greater, as the "pre-COVID" forecasts assumed an increase of 6.4%.

The virus proved to have a much smaller impact on steel mills, as a deficit of concentrates was recorded in the 2nd quarter of this year. This allowed TC to return to around USD 180 per tonne.

Despite the regular inflow of metal to stock exchange warehouses (whose current level is over 225 thousand tonnes), the price of zinc is increasing after it slightly exceeded PLN 8 thousand in the 2nd quarter and was PLN 300 lower than the price in the 1st quarter. At present (i.e. in August), for the first time this year, the price has a chance to equal the one from a year ago, as it reached PLN 8,848.



In the rocketing of prices of base metals (zinc, copper, nickel), as always, China plays the most important role. The Middle Kingdom launched investments in infrastructure, which automatically increased demand for metals. The data indicate that both the construction and automotive industries have rebounded after the March collapse.

China appears to be prepared to provide the input for a growing demand and a resurgent economy. In April, the import of concentrates reached 450 thousand tonnes, and in May over 350 thousand tonnes. But outside China, the return to full capacity is much slower. Based on the data for May this year, it should be concluded that the trade in galvanised steel has decreased by as much as 41%.

NET SALES FROM CONTRACTS WITH CUSTOMERS in accordance with IFRS 15	in PLN thousand	
	1st half of 2020	1st half of 2019
Revenues: Transformer Sheet Segment	**387 879**	**464 970**
Opening and closing balance		
1. receivables	99 667	116 453
2. assets under contracts		0
3. contract liabilities		0
4. revenues recognised in the reporting period concerning liabilities		0
Revenues: Profile Segment	**280 504**	**358 040**
Opening and closing balance		
1. receivables	95 991	127 923
2. assets under contracts		0
3. contract liabilities		0
4. revenues recognised in the reporting period concerning liabilities		0
Revenues: Zinc Segment	**860 830**	**972 311**
Opening and closing balance		
1. receivables	175 049	198 015
2. assets under contracts		0
3. contract liabilities		0
4. revenues recognised in the reporting period concerning liabilities		0

Liabilities that are part of contracts with customers have the expected duration of up to one year.

Financial instruments and risk management assessment

Characteristics of financial instruments and rules for their valuation

Under IFRS 9 a Financial Instrument is any contract that gives rise to a financial asset in one entity and a financial liability or an equity instrument in another. Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised from the accounting books when the rights to receive cash flows from financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

The main financial instruments used by the Group include bank credits and short-term deposits, as well as derivative instruments recognized in accordance with the hedging policy. The main purpose of these instruments is to raise funds for business activities and to hedge cash flows. The companies also have other financial instruments, such as cash, trade payables that arise directly in the course of their operations and long-term loans. In addition, the Companies hold shares in other entities, which constitute long-term investments.

Financial instruments at the time of entry into accounting books are measured at a cost (purchase price), which is the fair value of the payment made. Transaction costs directly attributable to the transaction are recognized at the initial cost of the financial instruments.

After initial recognition at fair value, financial instruments are classified into one out of three categories and measured as follows:

1) financial instruments measured at amortised cost,
2) financial instruments measured at fair value, and revaluation gains/losses are recognized in profit or loss.
3) financial instruments valued at the fair value through financial result.

Re 1) Financial instruments measured at amortised cost using the effective interest rate method to calculate interest. These instruments are held to maturity and include investments with fixed or determinable payments and fixed maturity that the company intends and has the ability to hold to maturity (receivables, loans). Impairment losses are recognised in accordance with the accounting policy and presented in a note to the financial statements.

Trade credit risk is mitigated by actions related to the selection of counterparties with good creditworthiness, setting credit limits for them, payment hedging policy and their on going monitoring in accordance with the applicable procedures. Therefore, the exposure of the Capital Group companies to the risk of bad debts is insignificant. Credit risk should be properly assessed by making appropriate bad debt provisions in the books.

The Company and entities from the capital group classify customers into risk groups on the basis of the adopted classification, based on the adopted methods of division into risk groups. Groups determine the level of risk from low (group 10) to the highest (group 0). Write-offs on items measured at amortised cost are determined on the basis of historical data according to the division into groups, grouped probability of credit risk and past customer behaviour.

Re 2) Financial instruments measured at fair value, and revaluation gains/losses are recognized in profit or loss. The method of valuation is applied in the case of financial assets whose cash flows constitute only payments from capital and interest, are maintained in order to collect contractual cash flows and for the purpose of sale, and which are measured at fair value. Interest income on such financial assets is calculated using the effective interest rate method. Impairment losses are recognised in accordance with the adopted accounting principles.

Re 3) Financial assets valued at the fair value by financial result. Assets that do not meet the criteria to be measured at amortised cost (item 1) and at fair value by other income (item 2) are measured by profit or loss. Gains or losses on fair value measurement of investments are recognized in profit or loss. These include trade receivables subject to factoring for liquidity management purposes when the terms of a factoring contract result in the discontinuation of the recognition of receivables or loans that do not meet the SPPI test.

A financial instrument is derecognised from the balance sheet when the entity loses control over the contractual rights constituting the financial instrument; this is usually the case when the instrument is sold or when all cash flows attributable to the instrument are transferred to an independent third party.

As at each balance sheet date, the Company assesses whether there are objective premises for impairment of a given component of financial assets or a group of financial assets. Such indications include, but are not limited to, serious financial difficulties of the debtor, the disappearance of an active market for a given financial instrument, adverse changes in the economic, legal and market environment of the issuer of a financial instrument, and persistence of a significant decline in the fair value of the instrument. When such evidence exists, the impairment loss should be estimated and an impairment loss should be recognized.

Derivative financial instruments are initially recognized in the books at cost and then measured at fair value. Changes in the fair value of derivative financial instruments are recognized immediately in the statement of total income, as the Parent Company does not use instruments that would qualify as hedge accounting. The Group companies, on the other hand, due to the specific nature and nature of their business model use hedge accounting.

The financial instruments used by the Parent Company are forward currency contracts related to sales and purchase contracts. The Company also occasionally uses forward currency contracts and currency options to protect against currency risk. Fair value of derivatives traded on regulated markets and securities available for sale is determined on the basis of quoted market prices as at the balance sheet date.

In order to estimate the fair value of derivatives whose prices are not quoted on regulated markets and other financial instruments, the Companies apply various methods and assumptions based on market conditions prevailing at each balance sheet date. Normally, market quotes or dealers' quotes are used for specific or similar instruments. Other techniques, such as option pricing models or the discounted value of future estimated cash flows, are used to determine the fair value of other instruments.

The main types of risk arising from financial instruments are interest rate risk, liquidity risk, credit risk and currency risk.

As regards foreign currency receivables and liabilities, the Parent Company uses hedging against natural currency risk, as sales in particular currencies are offset by purchases, any open position (short or long) closes within two to three weeks and its value is insignificant in relation to total turnover. Given the stable financial situation and the predominance of financing with own funds and trade liabilities, the liquidity risk is low. The Company's objective is to maintain a balance between continuity and flexibility of financing by the selection and use of various sources of financing.

Item	Category acc. to IFRS 9	2020	2019
Shares and stocks	*fair value through financial result*	441	441
Trade receivables (net)	*amortised cost*	424 464	474 546
Other receivables (without public-law)	*amortised cost*	18 126	86 429
Loans given	*amortised cost*	18 162	18 153
Securities	*fair value*	59 945	55 015
Including: Treasury bonds		19 113	13 176
Corporate bonds		6 000	
Investment fund shares		34 832	41 839
Cash and cash equivalents	*fair value through financial result*	388 501	53 875
Total financial assets		**909 639**	**1 039 085**
Trade liabilities	*amortised cost*	281 807	337 355
Credits and loans	*amortised cost*	152 438	175 800
Total financial liabilities		**434 245**	**513 155**

Other financial assets in the amount of PLN 63,268 thousand and financial liabilities in the amount of PLN 21,225 thousand recognized under hedge accounting are described in detail in the paragraph: Explanations to balance sheet items related to derivative instruments.

Classification of financial instruments using the fair value hierarchy

The fair value hierarchy of financial instruments is comprised of the following levels: Level 1 - quoted prices in an active market for identical assets or liabilities, Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. based on prices), Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). In accordance with the above classification, Treasury bonds held by the Group are classified at Level 1, investment fund shares are classified at Level 2 and corporate bonds and shares are classified at Level 3.

The purpose and policy of risk management and measurement methods.

The Group's Companies are 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 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 ZGH "Bolesław" S.A. strategy with respect to hedging is to reduce the sensitivity of revenues to a decrease in the price of zinc, lead and silver and the USD exchange rate. The smaller the level of security for the Company's exposure, the more sensitive it is to price drops. The lack of hedge results in full discovery of the change in the exchange price of zinc, lead, silver and the exchange rate of the dollar, and in the event of a drop in the price to the level below the break-even point, significant losses, difficult to cover from any funds, especially in the period of longer maintenance of the low price level.

The strategy of ZGH "Bolesław" S.A. is based on the use of financial instruments offered by banks and allowing to hedge prices on the commodity market and exchange rate on the currency market. ZGH "Bolesław" S.A. uses hedging consisting in the transfer of risk through the use of short hedge method, which provides protection against the drop of metal prices and USD exchange rate. The derivatives used differ according to the type of market risk being hedged.
The main risks associated with the operations of the Capital Group companies are as follows:
a) credit and contractual risk,
b) liquidity risk,
c) market risk, including:
- interest rate risk,
- currency risk.

Credit and contractual risk
The credit risk in the Company is limited by the current examination of the creditworthiness of the counterparties, by accepting appropriate collaterals (bank guarantees, letters of credit, bills of exchange, sureties) and by constant monitoring of overdue receivables. For the purpose of ongoing control, the sales and finance departments are required to apply the rules set forth in the credit and debt recovery procedures. These procedures determine the selection of counterparties, setting credit limits and the procedure in case of overdue receivables.

In order to perform a classification test for the purposes of IFRS 9, to determine the ratio of non-performance of liabilities and forecast the amount of the allowance for receivables, an analysis of turnover with customers was carried out in the period from January to December 2018. The Company conducts a credit risk management policy based on the Credit Procedure, which defines the rules for granting credit limits. In the process of risk identification, customers are assigned to a specific group determining its level, and if the level is too low to accept the limit applied for, negotiations are undertaken in order to obtain hedge.
In accordance with the adopted criteria for classifying customers into risk groups, based on the financial standing, the analysed ratios are assigned (in accordance with the matrix) points. The sum of points determines the customer's qualification to one of the ten risk groups as in the table below:

Risk group	Subgroup	The sum of points from ... to		Rating for customers in the zinc segment	Risk level
I	10	60	58	AAA	none
	9	57	54	AA	low
	8	53	51	A	low
	7	50	48	BBB	low
II	6	47	45	BB	average

	5	44	40	BB	average
	4	39	35	B	average
III	3	34	30	CCC	average
	2	29	20	CC	significant
	1	19	14	C	significant
	0	13	0	D	insolvency

Group's share in balances of receivables from operating segments as at 30.06.2020					
Segment	**Group I**	**Group II**	**Group III**	**Others**	**Total**
Electrotechnical sheets	55%	22%	22%	0%	100%
Profiles	24%	36%	28%	12%	100%
Zinc	100%	0%	0%	0%	100%

Group's share in sales revenues of operating segments in the 1st half of 2020					
Segment	**Group I**	**Group II**	**Group III**	**Others**	**Total**
Electrotechnical sheets	55%	25%	2%	0%	100%
Profiles	25%	28%	37%	10%	100%
Zinc	100%	0%	0%	0%	100%

Due to the consistent credit risk management policy, the predominant share in the balance of receivables and sales of low risk groups I and II, maintaining a high level of security for the granted limits and the lack of significant write-downs in previous periods, the amount of the write-down calculated on the basis of the calculated ratio of non-performance of liabilities is insignificant in relation to the scale of the Company's business. The amount exposed to risk is equal to the balance sheet value of short-term receivables increased by the issued guarantees and sureties, fair value of derivative instruments transactions and adjusted by accepted hedges, as well as receivables from related companies. This amount amounts to PLN 395,075 thousand. It should be noted that the average value of the overdue receivables ratio for the parent company (excluding subsidiaries) for 6 months 2020 (calculated as the ratio of overdue receivables to the total balance of trade receivables) for the Company amounts to 9.9 0%.

THE HEDGINGS ADOPTED			**thousand x USD/EUR/PLN**					
			30.06.2020			**30.06.2019**		
No.	**Hedging type**	**Risk type**	**Amount**	**Currency**	**PLN**	**Amount**	**Currency**	**PLN**
1	Bank guarantees and letters of credit	credit /contractual	28	PLN	**28**	341	PLN	**341**
2	Bank guarantees and letters of credit	credit /contractual	5 150	EUR	**23 000**	3 300	EUR	**14 032**
3	Bank guarantees and letters of credit	credit/contractual	4 815	USD	**19 167**	7 624	USD	**28 463**

4	Sureties	credit/contractual	2 600	PLN	**2 600**	0	PLN	**0**
5	Sureties	credit/contractual	15 650	EUR	**69 893**	15 830	EUR	**67 309**
6	Sureties	credit/contractual	650	USD	**2 587**	0	USD	**0**
7	Pledges and mortgages	credit/contractual	17 342	PLN	**17 342**	10 408	PLN	**10 408**
8	Pledges and mortgages	credit/contractual	0	EUR	**0**	500	EUR	**2 126**
	Total value of securities in PLN				**134 617**			**122 679**

It should be stated that the majority of recipients of Capital Group companies are clients with whom there has been a continuous cooperation for many years. At present, the companies do not have any restructured receivables, i.e. receivables towards the customers with whom it has agreed to postpone payment. Taking into consideration the above, the credit quality of the trading book should be described as good.

Contractual risk arises when a contract for the sale of goods under specified delivery conditions is concluded with the customer, which results in a liability on the part of the supplier towards the counterparty to release a given batch of goods, but, at the same time, to fulfil this liability the supplier must commence the production before full payment is made. The resulting situation is followed by the risk being borne by the supplier that the finished goods will not be collected by the counterparty.

The contractual risk occurs in the Companies generally only in the case of accepting orders for non-standard products and is assessed by the person accepting the order. It is limited by accepting appropriate securities, either by accepting partial or full prepayment for the ordered goods, before commencing production.

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 Parent Company, with a clear advantage of financing with own funds, liquidity risk is minimized at wide range. 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 credit lines which were described in a detailed fashion in the last consolidated financial report for 2019 are active and are extended by banks within relevant time limits.

Market Risk

Exchange Rates Risk

The exchange rate risk can be defined as the unfavourable impact of exchange rates on the Group's results. The following balance sheet positions are exposed to this kind of risk: granted loans, cash deposits and interest-bearing external financing sources.

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

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

Currency Risk

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

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

The nature of the activities pursued by the subsidiary company - ZGH "Bolesław" S.A. (production and USD sales of LME-quoted zinc and lead) forces the Company to pursue an active hedging policy against the currency-related risk. The Company secures its position, constantly monitoring the changes in raw material prices and currency exchange rates. Hedging itself against the currency exchange rate risk, the subsidiary company applies: forward transactions, average-rate forward transactions, options or option strategies (interrelations were shown for the period from January 2020 to May 2022).

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 30.06.2020 r.			**PLN thousand**		
Cash Flow Hedging	forward	$70 858 075,00	-15 122	-15 122	risk from USD/PLN exchange rates
Cash Flow Hedging	forward	€ 600 000,00	8	8	risk from EUR/PLN exchange rates

Risk from Changing Raw Material Prices

In the Stalprodukt S.A. Capital Group the subsidiary ZGH „Bolesław" S.A. pursues an active commodity (Zn and Pb) risk management policy, using various derivative instruments. For metal prices risk management the following transactions are concluded: swap transactions (fixed to float, float to float), options or option strategies, forward contracts (interrelations were shown for the period from January 2019 to May 2022).

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 30.06.2020 (zinc)			PLN thousand		
Cash Flow Hedging	swap	21 525	50 629	50 629	Price Change Risk Zn LME in PLN
Cash Flow Hedging	option strategies (collar)	6 000	5 258	5 845	Price Change Risk Zn LME
Cash Flow Hedging	put	3 000	6 996	5 845	Price Change Risk Zn LME
Cash Flow Hedging	call	3 000	-67	0	Price Change Risk Zn LME
Active commodity hedging instruments as of 31.12.2020 (lead)			PLN thousand		
Cash Flow Hedging	swap	200	430	430	Price Change Risk Pb LME in PLN
Active commodity hedging instruments as of 31.12.2020 (silver)			PLN thousand		
Cash Flow Hedging	swap	45 000	-15	-15	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 2020 is as follows:

- Zinc - approx. 94 600 tons
- Lead - approx. 17 300 tons
- Silver - approx. 506 000 Ozs
- Currency - approx. USD 299 000 000

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.

Currency exposure is closely connected with the price levels of metals (original exposure) and may be subject to fluctuations in case of their changes. Apart from the metal prices, currency exposure contains premiums achieved on the market when selling zinc, zinc alloys, and led. The above mentioned exposures are based on budget estimations for 2020, i.e. $2400 LME Zn, $2000 LME Pb, $17/ozs LBM.

Security accounting,

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

Whereas considering the nature of the pursued activities, the subsidiary company ZGH "Bolesław" S.A. applies hedge accounting based on the internal procedures prepared in compliance with the International Accounting Standards. The risk management policy is based on the decisions issued by the Risk Committee. The details are defined in the ZGH "Bolesław" S.A.'s Hedging Policy, approved by the Management Board with the Resolution 2/2011 dated 14 January 2011. In order to hedge itself against metal price fluctuations, the Company concludes swap transactions, options or option strategies and forward contracts. The market risk management details are clearly defined in the risk management procedure. The Financial Division is divided into two main blocks, i.e. the Front Office with its executive unit– Risk Management Department, supervising officer – Financial Director and the Back Office with its executive unit – Hedge Accounting Department with Chief Accountant as a supervising officer.

Explanations Referring to Balance Sheet Items Related to Derivative Instruments

Explanation Referring to the Item: Other long- and Short-Term Investments	**PLN thousand**	
	30.06.2020	**30.06.2019**
Long-Term investments	3 439	35 559
Short-Term Investments	119 773	108 252
TOTAL, including:	**123 212**	**143 811**
a) valuation of derivative transactions	63 268	89 402
b) securities	59 944	54 409

Explanation to Item: Liabilities pertaining to hedging instruments	**PLN thousand**	
	30.06.2020	**30.06.2019**
Contracts for Hedging Transactions	38	8 293
Conclusions of Currency Option Transactions	12 148	15 897
Adjustment pertaining to the amount resulting from the closed transactions settlements with brokers	9 038	616
TOTAL	**21 224**	**24 806**

Valuation of Derivative Transactions	**PLN thousand**			
	30.06.2020		**30.06.2019**	
	Financial Assets	**Financial Liabilities (Payables)**	**Financial Assets**	**Financial Liabilities (Payables)**
Commodity Transactions - Zinc	57 496	1 260	76 776	3 419
Commodity Transactions - Lead	430	0	4 451	1
Currency Transactions - USD/PLN EUR/PLN	5 321	19 927	8 175	21 387
Commodity Transactions- Silver	21	37	0	0
Total	**63 268**	**21 224**	**89 402**	**24 807**

Division of Hedging Instruments	PLN thousand			
	30.06.2020		30.06.2019	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Hedging Instruments	**60 931**	**19 065**	**84 214**	**24 375**
Commodity Transactions - zinc	*56 649*	*82*	*73 374*	*3 167*
Commodity Transactions - lead	*430*	*0*	*4 451*	*1*
Currency Transactions - USD/PLN, EUR/PLN	*3 831*	*18 946*	*6 389*	*21 207*
Commodity Transactions - Silver	*21*	*37*	*0*	*0*
Trade Instruments	**2 337**	**2 160**	**5 188**	**431**
Commodity Transactions- zinc	*847*	*1 178*	*3 402*	*252*
Commodity Transactions - lead	*0*	*0*	*0*	*0*
Currency Transactions - USD/PLN, EUR/PLN	*1 490*	*982*	*1 786*	*179*
Commodity Transactions - silver	*0*	*0*	*0*	*0*
Total	**63 268**	**21 225**	**89 402**	**24 806**

Derivative Transactions Presented in the Profit and Loss Account:	PLN thousand	
	30.06.2020	30.06.2019
Sales of Products Adjustment	*44 185*	*-8 704*
Sales of Goods Adjustments	*0*	*0*
Revaluation of Investments	*-3 072*	*2 577*
Gains/Loss on Sale of Investments	*516*	*-2 224*
Total	**41 629**	**-8 351**

Cash Result from Reconciliation of Derivative Instruments:	PLN thousand	
	30.06.2020	30.06.2019
Commodity Transactions	*66 246*	*-10 899*
Currency Transactions	*-25 688*	*-1 268*
Total	**40 558**	**-12 167**

Sales of Products Adjustment Related to Application of Hedging Instruments:	PLN thousand	
	30.06.2020	30.06.2019
Sales Increase	*67 479*	*7 845*
Sales Decrease	*-23 294*	*-16 548*
TOTAL	**44 185**	**-8 703**

Status of Capital from Revaluation Related to Application of Hedge Accounting (excluding Deferred Tax)	PLN thousand	
	30.06.2020	30.06.2019
Valuation of Open Hedging Instruments:	**41 775**	**58 961**
- Zn	*56 474*	*70 380*
- Pb	*430*	*3 399*
- USD/PLN	*-15 122*	*-15 260*
- Ag	*-15*	*0*
- EUR/PLN	*8*	*442*
Result from the Application of Hedging Instruments Capital-Retained until the Realization of the Hedged Item:	**476**	**47**
- Zn	*476*	*47*

- Pb	0	0
- USD/PLN		0
TOTAL	**42 251**	**59 008**

Impact of the COVID-19 (coronavirus) pandemic on the Company's situation

Information on the impact of the coronavirus pandemic on the operations and financial performance of the Issuer and its Group in the period covered by these semi-annual financial statements is presented below.

During the 1st half of 2020, the Company generally did not have any problems with ensuring continuity of supply in batch products (mainly hot-rolled sheets in coil, supplied mainly by a local manufacturer) and other raw materials necessary for production operations.

In order to reduce the risk of coronavirus infection, at the beginning of March this year the Management Board of Stalprodukt S.A. introduced such solutions as: obligatory quarantine of employees returning from abroad and those who might have had contact with infected persons, temperature measurement of persons entering the plant area or limitations in business contacts. Employees were also provided with personal protective equipment.

Production in both basic Stalproduct Segments (i.e. Electrical Sheets and Profile) took place and takes place all the time on a continuous basis (except for a 2-week holiday break in the Profile Segment, which has been practised for several years and is not connected with the current pandemic). In the initial stage of the pandemic, the problem was increased absenteeism, associated with childcare and sick leave of employees. However, the situation has stabilised and there are now no problems to ensure continuity of production.

Nevertheless, the negative impact of the coronavirus epidemic became apparent in the 2nd quarter of 2020, when unit sales revenues fell by 20.5% compared to the same period of 2019, while in the entire 1st half of 2020, compared to the 1st half of 2019, the decrease was 18.5%. The decrease in demand for the Company's products and, consequently, sales revenues, was caused mainly by a significant reduction in the scale of operations by the Company's customers and by high uncertainty as to the scale of development of the pandemic and its impact on the economy.

Due to the desire to limit the negative effects of the epidemic on the future activity of the Parent Company, and in order to ensure the protection of workplaces, on 24 April 2020, the Management Board of Stalprodukt signed an agreement with trade unions operating in the Company. Under this agreement, in the period 1/05 - 31/07/2020 the Issuer reduced the working time and, to the same extent, remuneration of all employees of the Company by 20%. As a result, Stalprodukt and Elbud obtained, provided for in the so-called "Anti-Crisis Shield", the funding from the Voivodeship Employment Agency, which for the period May-June this year totalled PLN 6,911 thousand.

So far, the impact of the coronavirus pandemic on the operations of the Zinc Segment is quite limited. Although net revenues from operations fell by 11.5% in this operating segment in the 1st half of this year, this decrease was mainly due to a significant drop in the zinc stock market prices. This analysis does not take into account the impact of the pandemic on the situation of other Stalprodukt Group companies (although it is also noticeable in their case) due to their relatively small impact on consolidated results.

The Issuer's Management Board estimates that the decrease in revenues recorded in the Sheets and Profile Segments in the 2nd quarter of 2020 is likely to be maintained in the 3rd quarter of this year - compared to the execution for the 3rd quarter of 2019. The impact of the coronavirus pandemic on the Zinc Segment should also be limited in the next quarter. Due to the high variability of the conditions of the Stalprodukt Group's operations, related to changes in prices on supply markets, changes in stock market prices of metals (zinc, lead) and prices of finished products, as well as potential regulatory decisions limiting business activity (including that of foreign entities which are customers for the Company's products), the Issuer's Management Board is not able to determine the impact of the current situation in the perspective longer than the 3rd quarter of 2020 - both in the case of the Parent Company and the Group companies. All the more so, it is not possible to determine the impact of the pandemic on future financial performance of the Stalprodukt Group.

The Management Board of the Issuer will continue to monitor the potential impact of the coronavirus pandemic and will take all possible steps to mitigate any adverse effects on the Issuer's operations.

Other Information

1. In the 1st half of 2020, the Capital Group did not experience any seasonality consequences. During the reporting period no other positions were recorded, (except for the situation described in the Impact of the COVID-19 coronavirus pandemic on the Company's situation) significantly affecting the assets, liabilities, equity, net profit or cash flow, which would be untypical in terms of their kind, volume/size or frequency.

2. The issuer does not publish forecasts of results.

3. 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 16,291 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 1,867 thousand,

- ZGH “Bolesław” S.A. issued a bill of exchange in connection with the agreement concluded with the National Center for Research and Development, amounting to PLN 66.0 million for subsidizing the project,
- ZGH "Bolesław" S.A. in the IV quarter of 2019 established in the form of bank guarantees a collateral for claims of the waste holder in favour of the Marshal of the Małopolska Province in the total amount of PLN 9,132,100. The collateral in the amount of PLN 9,111.0 thousand applies to the installation of rotary kilns used for the production of zinc concentrate from waste zinc-bearing materials in a roll down process. The second collateral in the amount of PLN 21.1 thousand applies to installations used for the production of electrolytic zinc and its alloys.
- no bank collaterals, which were disclosed in the 2019 report, were subject to change in respect of the banks financing the credit agreements.

4. The pending bankruptcy and composition proceedings cover the Group's receivables totalling PLN 4,001 thousand, wherein Stalprodukt's share amounts to PLN 743 thousand and ZGH ”Bolesław”'s - PLN 3,258 thousand.
   During the reporting period, no other essential proceedings were instituted or pending before the courts or government agencies, concerning any liabilities or receivables, which might exert a significant influence on the Group's future results and its financial standing.

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

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

   a/ management officers:

   - Piotr Janeczek 115 053 shares of nominal value: PLN 230 106,
   - Łukasz Mentel 100 shares of nominal value: PLN 200.

   b/ supervision officers:

   - Stanisław Kurnik 2 900 shares of nominal value: PLN 5 800.

Except for the change described below, there were no changes in the holding of the Issuer's shares by members of the management and supervisory bodies in the period from the date of submitting the previous periodical report.

On 18 June 2020, the Issuer received information from Mr. Piotr Janeczek on the decrease of his share in the total number of votes in Stalprodukt S.A. below 5% as a result of indirect sale of shares in the Company.

1. On 15 June 2020, Mr. Piotr Janeczek by way of donation sold:
   1) of all shares held by me in STP Investment S.A. I indirectly disposed of the block of shares held by STP Investment S.A. in the Issuer, i.e.:
      a) 866,671 bearer shares of the Issuer constituting 15.53% of the share capital and entitling to 866,671 votes at the Issuer's General Meeting, constituting 7.10% of the total votes,
      b) 1,355 registered non-preferred shares constituting 0.024% of the share capital and entitling to 1,355 votes at the Issuer's General Meeting, constituting 0.011% of the total votes,
      c) 1,010,593 registered preferred shares to the right to vote (in the ratio of 5 votes per one share) of the Issuer, constituting 18.11% of the share capital and entitling to 5,052,965 votes at the Issuer's General Meeting, constituting 41.42% of the total votes,
      d) and shares held through F&R FINANSE sp. z o.o. with its registered office in Jawornik, a subsidiary of STP Investment S.A.: 43,807 bearer shares of the Issuer constituting 0.79% of the share capital and entitling to 43,807 votes at the Issuer's General Meeting, constituting 0.36% of the total votes,
   2) of all shares held by me in STALPRODUKT – PROFIL S.A. I indirectly disposed of the block of shares held by STALPRODUKT – PROFIL S.A. in the Issuer, i.e.:
      a) 492,759 bearer shares of the Issuer constituting 8.83% of the share capital and entitling to 492,759 votes at the Issuer's General Meeting, constituting 4.04% of the total votes,
      b) 128,959 registered preferred shares to the right to vote (in the ratio of 5 votes per one share) of the Issuer, constituting 2.31% of the share capital and entitling to 644,795 votes at the Issuer's General Meeting, constituting 5.29% of the total votes,
      c) 1 (one) registered non-preferred share constituting 0.000018% of the share capital and entitling to 1 vote at the Issuer's General Meeting, constituting 0.000008% of the total votes,
   3) of all shares held by me in STALNET sp. z o.o. I indirectly disposed of the block of shares held by STALNET sp. z o.o. in the Issuer, i.e.:

a) 73,560 bearer shares of the Issuer constituting 1.32% of the share capital and entitling to 73,560 votes at the Issuer's General Meeting, constituting 0.60% of the total votes,
b) 62,002 registered preferred shares to the right to vote (in the ratio of 5 votes per one share) of the Issuer, constituting 1.11% of the share capital and entitling to 310,010 votes at the Issuer's General Meeting, constituting 2.54% of the total votes,
c) 2 (two) registered non-preferred shares constituting 0.000036% of the share capital and entitling to 2 votes at the Issuer's General Meeting, constituting 0.000016% of the total votes.

Thus, I have disposed of all the shares in the Company held indirectly by me so far and at present I only hold the shares directly.

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

8. The total value of the Issuer's transactions with associated companies in the period from 01.01.2020 to 30.06.2020 and in the comparable period from 01.01.2019 to 30.06.2019 is presented in the Table below.

Items the 1st half of 2020	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-Wamech sp. z o.o.	302	4 882	1 280	9 524
Stalprodukt-Centrostal sp. z o.o.	55	1 148	236	1 835
Stalprodukt-Zamość sp. z o.o.	2 027	55	4 763	348
Stalprodukt-Ochrona sp. z o.o.	22	756	111	1 850
STP Elbud sp. z o.o.	390	2 692	1 543	9 352
Cynk-Mal S.A.	4 687	1 108	13 191	2 855
ZGH “Bolesław” S.A.	1	11	0	58
Anew Institute sp. z o.o.	0	106	0	562
GO STEEL Frydek Mistek a.s.	23 804	6 253	107 426	22 618

Moreover, in the 1st half of 2020, some transactions were carried out with entities in which the Company holds stakes: Stalnet Sp. z o.o.- sales PLN 23 thousand, costs PLN 72 thousand; receivables PLN 15 thousand, liabilities PLN 5 thousand; Stalprodukt-Profil S.A. sales 6 thousand, costs PLN 0 thousand; receivables PLN 0 thousand, liabilities PLN 0 thousand. These were market-type transactions.

Items the 1st half of 2019	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-MB sp. z o.o.	24	1 573	208	1 828
Stalprodukt-Wamech sp. z o.o.	134	2 120	665	4 496
Stalprodukt-Centrostal sp. z o.o.	52	3 490	226	2 319
Stalprodukt-Serwis sp. z o.o.	63	2 249	354	3 217
Stalprodukt-Zamość sp. z o.o.	1 112	547	3 175	796
Stalprodukt-Ochrona sp. z o.o.	19	1 304	107	2 008
STP Elbud sp. z o.o.	212	5 126	1 027	11 910
Cynk-Mal S.A.	6 765		15 536	3 153
ZGH "Bolesław" S.A.	0	16	0	54
Anew Institute sp. z o.o.	0	327	0	474
GO STEEL Frydek Mistek a.s.	21 528	1 776	117 773	26 350

Moreover, in the 1st half of 2019, some transactions were carried out with entities in which the Company holds stakes: Stalnet Sp. z o.o.- sales PLN 23 thousand, costs PLN 102 thousand; receivables PLN 7 thousand, liabilities PLN 15 thousand; Stalprodukt-Profil S.A. sales 6 thousand, costs PLN 0 thousand; receivables PLN 0 thousand, liabilities PLN 0 thousand. These were market-type transactions.

9. In the reporting period the Group made investment outlays on the purchase and formation of tangible fixed assets amounting to PLN 73 240 thousand. No significant fixed asset components have been disposed of during the reporting period.
10. On 29 April 2020, the Management Board of ZGH "Bolesław" S.A. informed the Issuer about adopting a resolution, dated on the same day, on discontinuing the extraction of zinc-lead ore from the "Olkusz-Pomorzany" Mine as of 31 December 2020. The discontinuation of the extraction is to be construed as the submission of a statement on 31 December 2020 on the relinquishment of their concessions for extraction of ores from "Pomorzany" and parts of "Olkusz" and "Klucze I" deposits.

    Carrying out the liquidation of the "Olkusz-Pomorzany" Mine in accordance with the liquidation programme is estimated to cost approximately PLN 140 million, which has been included in the ZGH's balance sheet in the form of a provision (PLN 116.8 million) and funds accumulated in the mine liquidation fund (PLN 19.8 million). The closure of the mine will not adversely affect the continuation of the operations of ZGH "Bolesław". Additionally, in the consolidated statement of financial position, a provision in the amount of PLN 296.1 million was created, among other things, for the purpose of the liquidation of the mine and covering any related damage. In the opinion of the Management Board of the Parent Company, the assets of the "Olkusz-Pomorzany" Mine do not constitute a separate type of activity. They are presented as a part of the assets of the Zinc Segment and do not generate significant financial flows separate from the Zinc Segment.

It should be reminded that the above-mentioned deadline for ZGH "Bolesław" S.A. to cease its mining operations is in line with earlier plans. In particular, this date was specified in the development strategy for the Zinc Segment, published in current report No. 33 of 27 October 2016. The above information about the ZGH's decision to discontinue mining operations was published on the WSE in current report No. 6/2020 on 29 April 2020.

11. The General Meeting of ZGH „Bolesław" S.A. Shareholders held on 23 June 2020 adopted a resolution on the dividend disbursement for the fiscal year 2019. The profit-based amount appropriated for the dividend is PLN 2.00 per share. The dividend disbursement date was fixed on 24 July 2020. The dividend amount of PLN 31,539,738.00 shall be recognized in the Issuer's separate result for the 3rd quarter of 2020.
12. The General Meeting of "Huta Cynku Miasteczko S.A. Shareholders held on 25 June 2020 adopted a resolution on the dividend disbursement for the fiscal year 2019. The profit-based amount appropriated for the dividend is PLN 2.00 per share, i.e. PLN 15,800 thousand. The dividend disbursement date was fixed on 21 July 2020.
13. The General Meeting of Stalprodukt S.A. Shareholders held on 15 June 2020 adopted a resolution on the dividend disbursement for the fiscal year 2019. The amount of net profit for the financial year 2019 in the amount of PLN 92 807 837.99 was fully transferred to the Company's reserve capital.
14. The General Meeting of Go Steel Frydek Mistek S.A. Shareholders held on 24 June 2020 decided to pay the dividend to the sole shareholder in the amount of CZK 33,133,395.72, i.e. PLN 5,514,939.68. Influence of the dividend on the account of Stalprodukt S.A. took place on June 30, 2020. The dividend was recognized in the result of the parent company in the 1st halt of 2020.
15. By annex of 8 April2020, the value of the loan granted under the agreement of 06/12/2018 to Anew Institute Sp. z o.o. was increased to PLN 0.8 million. The loan bears interest and a commission was established for the Lender for its disbursement. According to the agreement, it was granted for a period until 31/12/2020.
16. Important proceedings pending before the court are the case brought by Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. in Olkusz against the Issuer's subsidiary, i.e. ZGH Bolesław S.A., for payment of compensation for mining damage in the amount of PLN 64,015,224.00 (file ref. No. IX GC 99/14).

    On 25.04.2018, the Regional Court of Cracow, 9th Economic Department (cases jointly designated with file No IX GC 543/13) issued judgements in the following cases regarding the subsidiary company, i.e. ZGH "Bolesław" S.A.:

    a. regarding the suit brought by Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. in Olkusz against the Company for the payment of compensation in the amount of PLN 64,015,224.00 (File No IX GC 99/14) issued a preliminary judgement, recognizing the action of PWiK sp. z o.o. in Olkusz as justified as a matter of principle. The potential amount of the compensation shall be subject to further proceedings and may total the maximum of PLN 64 million. In connection with the referenced lawsuit, already in 2015, the Company formed a provision amounting to PLN 15 million. The company appealed against the judgment;

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

On 13.03.2020 the Court of Appeal in Kraków issued the judgement in the case with ref.no AGa 527/18, between ZGH "Bolesław" S.A. and Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o. o. in Olkusz, in which it dismissed the appeal of ZGH "Bolesław" S.A. against the judgement of the Regional Court in Krakow of 25.04.2018 to the case with reference number IX GC 543/13, as well as ordered that the ZGH "Bolesław" S.A. shall pay the costs of proceedings at law in the amount of PLN 8,100 for the benefit of Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. Consequently, the ruling of the Regional Court is final and binding.
The above status means that at the moment it has been ruled by a legally-binding decision that ZGH "Boleslaw" S.A. is liable for damages to the Przedsiębiorstwo Wodociągów i Kanalizacji for the consequences in terms of water relations, connected to the future exclusion of the Mine Olkusz Pomorzany drainage and due to this, the discontinuation of water supply to their channels and for possible groundwater pollution.

As indicated above, the interlocutory judgement is final, determining the fact of liability. The amount of compensation has not been determined, which shall be the subject of further proceedings. At the moment, the Przedsiębiorstwo Wodociągów i Kanalizacji is claiming the sum of PLN 64,604,143.05 and this is the highest amount of the principal liability amount that may be charged to the Company. The amount of compensation, if any, is influenced by the value of expenditures for alternative sources of water supply, which amount to approx. PLN 30 million. Another problem is the issue of Community co-funding, which, in the Company's opinion, shall reduce the amount claimed. At this stage the amount of any damages awarded cannot be currently determined in detail.

ZGH "Boleslaw" S.A. shall consider bringing cassation appeal against the judgement described above, about which it shall inform in a separate notice, having received a written justification from the Court of Appeal.

The above information about the judgment of the Court of Appeal was treated by the Management Board of the Issuer as confidential information and disclosed to the public in current report no. 3/2020 on March 13, 2020.

On 28/07/2020, ZGH “Bolesław” S.A. filed a cassation appeal against the above judgement. However, until the date of publication of this report, no confirmation of its acceptance for consideration by the Supreme Court has been received.

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

17. 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.

18. 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.

19. 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,
- the effects of the COVID-19 epidemic on the Group's operations, which as at the date of publication of this report are difficult to predict, but their importance for the level of revenues and results achieved by the Group in the coming months or even quarters will certainly be significant. The impact of the epidemic will depend on many factors (including regulatory issues, restrictions imposed by state authorities) or the degree of development of the epidemic itself, so it is difficult to estimate its anticipated effects.

20. During the reporting period and following 30.06.2020 until the preparation of the Abridged Consolidated Report for the 1st half of 2020 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.

21. On 15 June 2020, the General Meeting, in connection with the expiry of the Supervisory Board's term of office, elected the Supervisory Board for a new 3-year term of office, which is composed of the following persons:
    Magdalena Janeczek
    Agata Sierpińska-Sawicz
    Stanisław Kurnik
    Romuald Talarek
    Sanjay Samaddar

22. On April 28, 2020, a Member of the Management Board, Marketing Director, Józef Ryszka, resigned from the position of the Board Member effective as of April 29, 2020. The reason for resignation was reaching retirement age and acquiring retirement rights.

23. Pursuant to par. 62, subpar. 1 of the Regulation of the Minister of Finance as of 29.03.2018 on current and periodic information to be disclosed by issuers of securities and conditions for recognizing as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws 2018, item 757), the Issuer does not submit its separate the semi-annual standalone report. This Report constitutes a supplement to the Abridged Consolidated Report rendered as the „Stalprodukt S.A. Abridged Financial Report for the 1st half of 2020".

24. No additional information was appended to the Abridged Consolidated Financial Report for the 1st half of 2020 as, during the reporting period, no other events, concerning the separate report, took place, apart from the ones referred to herein.

25. This Abridged Consolidated Financial Report for the 1st half of 2020 was approved for publication by parent Company's Management Board on 28.08.2020.

………………………..	…………………………
Łukasz Mentel	Piotr Janeczek
Member of the Management Board – Financial Director	President of the Management Board – CEO