



STALPRODUKT S.A.

Abridged Interim Consolidated  
Financial Report for the 4th Quarter  
of 2016. Additional Information

Bochnia, February 2016

## I. Introductory Information

### 1. The basic data

Apart from the parent company, the Stalprodukt S.A. Capital Group embraces 11 associated entities accounting for subsidiary companies, in which Stalprodukt holds 100% of shares, except for Zakłady Górniczo-Hutnicze "Bolesław", where it holds 94.56% of shares.

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

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

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

- structural steel production - STP Elbud Sp. z o.o., Stalprodukt-Wamech Sp. z o.o.,
- galvanizing services - STP Elbud Sp. z o.o. and Cynk-Mal S.A.,
- roads and freeways construction and management – Stalprodukt MB Sp. z o.o.
- bodyguard and property security - Stalprodukt Ochrona Sp. z o.o.,
- designing equipment related to the use of renewable energy sources – Anew Institute Sp. z o.o.

## **2. Changes in the Issuer's and Capital Group's Ownership Structure**

In relation to the 4<sup>th</sup> quarter of 2015 acting as the comparable period for the present consolidated financial report, the following changes occurred in the Issuer's Capital Group's ownership structure:

- In the 1<sup>st</sup> quarter of 2015, a procedure was initiated for the purchase of the ZGH „Bolesław” S.A. employee shares, as a result of which the Stalprodukt's share in the capital of the above mentioned company increased up to 94.56 % towards the end of the 4<sup>th</sup> quarter of 2016 (against 94.45 % towards the end of the 4<sup>th</sup> quarter of 2015).
- Within the framework of the Capital Group's control analysis, the Stalprodukt-Zamość Sp. z o.o subsidiary company was found to undergo the IFRS 10 requirements, related to the control over the company: Polska Technika Zabezpieczeń Sp. z o.o. In connection therewith, the company underwent consolidation with the use of the complete consolidation method. In the previous reporting periods the shares in the company concerned were recognized as long-term investments.
- On 01 July 2016 Sale Agreements were concluded, concerning the sale of the shares issued by Cynk-Mal S.A., between the Issuer and the Shareholders, i.e. Mr. Marek Picz and Mr. Andrzej Czekajło. The object of the Agreements was the buyback of 9 891 000 shares for the price of PLN 3, 956. 400 (In words: three million nine hundred fifty-six thousand four hundred), i.e for PLN 0.40 per share. The shares being the object of the Agreement account for 49% of the share capital. As a result of the transaction, the Issuer holds 100% of the shares in the subsidiary company.

## **3. 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 October 2016 to 31 December 2016 with the use of the full consolidation method, considering all the Group's subsidiaries. The comparable data cover the period from

## Abridged Interim Consolidated Financial Report for the 4th Quarter of 2016. Additional Information

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1 October 2015 to 31 December 2015 referring to the profit and loss account and the cash flow statement, the balance sheet values reflect the status as of 31 December 2015.

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

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

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

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

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

### **II. Accounting Principles (Policy)**

1. In the quarterly abridged consolidated financial report the accounting principles (policy) used, including the assets and liabilities, income and costs valuation methods as well as calculation methods adopted, were identical with the ones presented in detail in the Consolidated Report 2015.

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

2. The changes introduced into the standards and interpretations issued by the International Financial Reporting Standards Council and International Financial Reporting Standards Interpretation Committee, applicable since 1 January 2015 or later, either do not apply to the Stalprodukt Group, or do not significantly affect the heretofore applied

accounting policy and assessment of its asset position and financial standing. The numerous changes introduced into the existing accounting standards and interpretation changes, referring to the existing standards, have already been adopted by the International Financial Reporting Standards Council, but not approved by the EU yet and so the same shall take effect at later dates.

The Management Board does not expect the introduction of the above standards and interpretations to significantly affect the accounting principles (policy) applied by the Group, its financial standing and financial result, but the same may still require further additional or amended disclosures to be included in the report. The above mentioned changes were precisely described in the Additional and Explanatory Information sheet appended to the published Consolidated Financial Report for 2015.

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

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

### **III. Appraised Values**

1. In the 4<sup>th</sup> quarter of 2016, the Group made the following adjustments in respect of the reserves, revaluations and write-downs revaluating the asset components:
  - a deferred income tax reserve allowance was increased by the amount of PLN 10 533 thousand in connection with the occurrence of transitory positive differences,
  - a revaluation write-off was created for doubtful receivables amounting to PLN 1 022 thousand,
  - revaluation write-offs amounting to PLN 344 thousand were released due to having been paid,
  - a provision for employee benefits was formed amounting to PLN 15 836 thousand, and the provision for employee benefits amounting to PLN 9 696 thousand was released in respect of the disbursement of anniversary awards and retirement severance payments,
  - a provision for repairs was formed in the amount of PLN 7 000 thousand, and the one amounting to PLN 5 507 thousand was released,
  - a provision, amounting to PLN 20 039 thousand, intended to cover the deterioration of profitability and expected loss was released,

## Abridged Interim Consolidated Financial Report for the 4th Quarter of 2016. Additional Information

- a provision for electrical energy origin certificates and CO<sub>2</sub> emissions allowances was formed in the amount of PLN 2 618 thousand, and the one amounting to PLN 109 thousand was released,
- the provision for mine liquidation was released in the amounting to PLN 1 727 thousand, and the one amounting to PLN 12 930 thousand was released,
- a provision was formed for the increase of coke and slag prices amounting to PLN 16 253 thousand,
- a provision for restructuring was formed in the amount of PLN 1 253 thousand,
- a provision for royalties was formed in the amount of PLN 1 069 thousand.

### IV. Business Segments

The segment-based reporting was based on IFRS 8 "Operating Segments". The rules governing the Stalprodukt Capital Group's division into operating segments and accounting principles applied in this kind of reporting were described in detail in the last published Consolidated Financial Report for 2015.

Information on Operating Segments for 4<sup>th</sup> quarter of 2016 (PLN thousand)

Itemization	Operating Segments				Total
	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	
Segment Revenues	173 813	149 769	404 217	58 575	786 374
Segment Costs	119 585	150 887	334 983	54 769	660 224
<b>Segment Result</b>	<b>54 228</b>	<b>-1 118</b>	<b>69 234</b>	<b>3 806</b>	<b>126 150</b>
Other Operating and Financial Revenues Non-Attributable to the Segment					22 830
Other General, Operating and Financial Costs Non-Attributable to the Segment					87 938
<b>Gross Profit</b>					<b>61 042</b>
Income Tax					9 898
<b>Net Profit</b>					<b>51 144</b>
Segment Assets	847 157	637 504	1 563 322	233 079	3 281 062
Assets Non-Attributable to the Segment					24 684
Total Assets					3 305 746
Liabilities	156 767	172 205	552 983	77 773	959 728
Contingent Liabilities					296 115
Total Liabilities					1 255 843
Investment Outlays	4 147	6 881	32 339	15 853	59 220
Depreciation	6 389	5 097	22 124	1 935	35 545

## Abridged Interim Consolidated Financial Report for the 4th Quarter of 2016. Additional Information

Information on Operating Segments for 4<sup>th</sup> quarter of 2015 (PLN thousand)

Itemization	Operating Segments				Total
	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	
Segment Revenues	173 813	149 769	420 605	38 789	782 976
Segment Costs	119 585	150 887	351 326	35 009	656 807
<b>Segment Result</b>	<b>54 228</b>	<b>-1 118</b>	<b>69 279</b>	<b>3 780</b>	<b>126 169</b>
Other Operating and Financial Revenues Non-Attributable to the Segment					22 400
Other General, Operating and Financial Costs Non-Attributable to the Segment					86 168
<b>Gross Profit</b>					<b>62 401</b>
Income Tax					9 805
<b>Net Profit</b>					<b>52 596</b>
Segment Assets	847 157	637 504	1 563 384	231 877	3 279 922
Assets Non-Attributable to the Segment					113 427
Total Assets					3 393 349
Liabilities	156 767	172 205	551 710	77 702	958 384
Contingent Liabilities					296 115
Total Liabilities					1 254 499
Investment Outlays	4 147	6 881	32 339	15 853	59 220
Depreciation	6 389	5 097	22 434	1 935	35 855

### V. Ocena uzyskanych wyników i sytuacja finansowa

In the 4<sup>th</sup> quarter of 2016, compared to the analogical period in 2015, the Stalprodukt S.A. Capital Group achieved sales revenue increased by PLN 71 959 thousand, i.e. 9.15%. Along with the increase of sales, improved results were achieved at all levels of the Consolidated Profit and Loss Account. At the operating profit level the achieved result reached PLN 105 223 thousand over PLN 59 009 thousand in the analogical period of 2015. This result was higher by PLN 46 214 thousand, i.e. by 78.31 %. Consequently, in relation to the 4<sup>th</sup> quarter of 2015, the net profit, which amounted to 81 840 thousand, was better as viewed against the amount of PLN 51 144 thousand achieved in 2015.

The good results achieved by the Group in the 4<sup>th</sup> quarter of 2016 in relation to the 4<sup>th</sup> quarter of 2015, were achieved thanks to a significant improvement of the Zinc Segment's performance. Also the performance of the Profiles Segment attracts attention as, contrary to the loss inflicted in the 4th quarter of 2015, it recorded a positive result in the 4<sup>th</sup> quarter of 2016. In the case of the Steel Sheets Segment the results deteriorated in relation to the comparable period.

The Electrical Sheets Segment witnessed a decrease of sales volumes reaching the level of 7.16 %. Also the decrease of the Segment's sales by 23.97% was recorded. The key factor affecting the above mentioned decreases were the prices, lower in comparison to the 4<sup>th</sup> quarter of 2015. Both factors had a negative impact of the Segment's performance. In relation to the 4<sup>th</sup> quarter of 2015, the result achieved by the Segment was by PLN 36 474 thousand (by 67,26 %) lower. It should be underlined that during the 4th quarter of 2016, following the period of abrupt price decreases in the 3<sup>rd</sup> quarter of 2016, the prices got stabilized in relation to the preceding quarter. At the same time the Segment's price level is significantly lower in relation to the comparable period.

Additionally, these significant decreases, viewed in percentage terms, resulted from a very high comparable basis, as the results of the 4<sup>th</sup> quarter of 2015 have been record high over the several recent periods. At the same time, considering the electrical sheet market conditions, the Issuer predicts a further decrease of the Segment's prices in the quarters to come.

In the Profiles Segment a volume increase by 12.27 % was recorded. The sales achieved by the Segment were higher by PLN 23 407 thousand, i.e. by 15.62%. At the same time it should be underlined that, compared to the loss inflicted in the 4th quarter of 2015, the Segment recorded a positive result amounting to PLN 2 451 thousand. Analyzing the market conditions concerning the Profiles Segment, the Issuer expects the increase of prices to subside. At the same time, the Issuer predicts substantial market fluctuations. This may be caused by the significant market variability related to the overlapping of the, frequently, contradictory factors, e.g. anti-dumping proceedings, EU steel works price policy or commencement of the planned infrastructural investments undertaken within the new financial perspective.

In the 4<sup>th</sup> quarter of 2016, the net sales of the Zinc Segment amounted to PLN 497 435 thousand and increased by 23.06, compared to the analogical period of the previous year, when the sales amounted to PLN 404 217 thousand. The net sales achieved in the 4<sup>th</sup> quarter of 2016 reflect the sales level's high sensitivity to the exchange market prices of zinc, lead and silver as well as the USD/PLN exchange rate and products sales volume. Such a significant increase of the Segment's sales in the 4<sup>th</sup> quarter of 2016, as viewed against the comparable period of the previous year, resulted from both the increase of LME metal prices and the increase of the USD exchange rate. The prices of metals basic for the Zinc Segment were quoted as follows:

#### **4<sup>th</sup> Quarter of 2016**

Average LME zinc price: 2 517 USD/ton  
Average LME lead price: 2 149 USD/ton  
Average LME silver price: 17.2 USD/oz.  
USD exchange rate: PLN 4.0597



**4<sup>th</sup> Quarter of 2015**

Average LME zinc price: 1 613 USD/ton

Average LME lead price: 1 681 USD/ton

Average LBM silver price: 14.8 USD/oz.

USD exchange rate: PLN 3.8933

Converted to PLN, the base LME zinc price increased by 63 %, from PLN 6 274 in the 4<sup>th</sup> quarter of 2015 to PLN 10 236 in the present reporting period.

Converted to PLN, the base LME lead price increased by 33 % , from PLN 6 548 in the 4<sup>th</sup> quarter of 2015 to PLN 8 737 in the present reporting period.

Converted to PLN, the base LBM silver price increased by 21 % from PLN 57.5 in the 4<sup>th</sup> quarter of 2015 to PLN 69.8 in the present reporting period.

Such an increase of metal prices in the 4th quarter of 2016 counterbalanced the decrease in the sales of zinc and lead products with a surplus. The Segment recorded a result increase by 73.5 %, i.e. from PLN 69 234 thousand in the 4<sup>th</sup> quarter of 2015 to PLN 120 086 thousand in the 4<sup>th</sup> quarter of 2016.

In the 4<sup>th</sup> quarter of 2016, 9 % less zinc and zinc products were sold than in the 4<sup>th</sup> quarter of 2015. Over 80% of the ZGH's and its subsidiaries' turnover is dependent on the price of zinc. On the other hand, the lead and lead products' sales volume decreased by 4 %. Approximately 10% of the ZGH's and its subsidiaries' turnover is dependent on the price of lead. In the 4<sup>th</sup> quarter of 2016, the silver sales were slightly higher than the volume recorded in the 4<sup>th</sup> quarter of 2015. Approximately 3% of the ZGH's turnover is dependent on the price of silver.

The financial standing of the Stalprodukt S.A. Capital Group is stable. The economic and financial ratios characterizing its economic activities were not subject to significant changes and correspond to the current market conditions. Throughout the entire period, the Group did not experience any payment back-logs, consistently pursuing the adopted risk-management policy. Both the Issuer and the majority of the Capital Group companies enjoy financial liquidity and credit capacity.

## **VI. Financial instruments and risk management assessment**

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

## Abridged Interim Consolidated Financial Report for the 4th Quarter of 2016.

### Additional Information

Depending on the type and size of risk, the Company complies with the appropriate instruments for the diagnosis, assessment and hedging.

As of 31 December 2016, the subsidiary companies belonging to the Zinc Segment were applying cash flow hedge accounting for commodity and currency swaps in accordance with the rules described in the Annual Report. As of 31 December 2016 they held the following hedging measures active:

#### 1) currency

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
<b>Active currency hedging instruments as of 31.12.2016 r.</b>			<b>PLN thousand</b>		
Cash Flow Hedging	forward	\$187 631 301,00	-42 881	-42 881	risk from USD/PLN exchange rates
Cash Flow Hedging	forward	€8 200 000,00	985	985	risk from EUR/PLN exchange rates
Cash Flow Hedging	option strategies	\$7 306 000,00	-959	-655	risk from USD/PLN exchange rates
Cash Flow Hedging	option strategies (collar)				risk from EUR/PLN exchange rates

#### 2) raw material

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
<b>Active commodity hedging instruments as of 31.12.2016 (zinc)</b>			<b>PLN thousand</b>		
Cash Flow Hedging	swap	112 700	-174 374	-175 135	Price Change Risk Zn LME
Cash Flow Hedging	Option strategies (collar)	9 000	-9 999	-9 999	Price Change Risk Zn LME
Cash Flow Hedging	put	9 000	5 534	5 534	Price Change Risk Zn LME
Cash Flow Hedging	call	9 000	-15 533	-15 533	Price Change Risk Zn LME
<b>Active commodity hedging instruments as of 31.12.2016 (lead)</b>			<b>PLN thousand</b>		
Cash Flow Hedging	Swap	15 700	-392	-392	Price Change Risk Pb LME
<b>Active commodity hedging instruments as of 31.12.2016 (silver)</b>			<b>PLN thousand</b>		
Cash Flow Hedging	swap	67 500	538	538	Price Change Risk Ag LMBA

# Abridged Interim Consolidated Financial Report for the 4th Quarter of 2016.

## Additional Information

### *Explanations Referring to Balance Sheet Items Related to Derivative Instruments*

Explanation Referring to the Item: Other long- and Short-Term Investments	PLN thousand	
	31.12.2016	31.12.2015
Long-Term investments	14 060	13 787
Short-Term Investments	36 009	135 177
<b>TOTAL, including:</b>	<b>50 069</b>	<b>148 964</b>
a) valuation of derivative transactions	19 096	109 514
b) securities	30 974	39 449

Explanation to Item: Liabilities pertaining to hedging instruments	PLN thousand	
	31.12.2016	31.12.2015
Contracts for Hedging Transactions	91 472	1 788
Conclusions of Currency Option Transactions	176 044	15 355
Adjustment pertaining to the amount resulting from the closed transactions settlements with brokers	-9 099	11 038
<b>TOTAL</b>	<b>258 416</b>	<b>28 181</b>

### Valuation of Derivative Transactions

Valuation of Derivative Transactions	PLN thousand			
	31.12.2016		31.12.2015	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Commodity Transactions - Zinc	12 304	204 991	102 148	2 844
Commodity Transactions - Lead	4 102	4 495	3 610	89
Currency Transactions - USD/PLN EUR/PLN	2 125	48 903	2 312	24 529
Commodity Transactions- Silver	565	27	1 444	719
<b>Total</b>	<b>19 096</b>	<b>258 416</b>	<b>109 514</b>	<b>28 181</b>

### Division of Hedging Instruments

Division of Hedging Instruments	PLN thousand			
	31.12.2016		31.12.2015	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
<b>Hedging Instruments</b>	<b>16 364</b>	<b>243 450</b>	<b>108 910</b>	<b>22 353</b>
Commodity Transactions - zinc	9 857	194 231	102 073	294
Commodity Transactions - lead	4 102	4 495	3 611	616
Currency Transactions - USD/PLN, EUR/PLN	1 840	44 697	1 781	20 724
Commodity Transactions - Silver	565	27	1 445	719
<b>Trade Instruments</b>	<b>2 730</b>	<b>14 966</b>	<b>604</b>	<b>5 828</b>

## Abridged Interim Consolidated Financial Report for the 4th Quarter of 2016.

### Additional Information

Commodity Transactions- zinc	2 446	10 759	73	2 550
Commodity Transactions - lead	0	0	0	0
Currency Transactions - USD/PLN, EUR/PLN	284	4 207	500	3 278
Commodity Transactions - silver	0	0	31	0
<b>Total</b>	<b>19 094</b>	<b>258 416</b>	<b>109 514</b>	<b>28 181</b>

#### **Financial Report Presentation of Applied Derivative Instruments**

The result of the hedging instruments valuation, in its portion recognized as 'effective hedging', is taken to the capital revaluation reserve. Asian options, aimed at hedging the Company against the change of time value, are taken to costs or to financial revenues. The trade instruments valuation result is taken to costs or financial revenues. The result from the application of hedging instruments is used to adjust the hedged item (sales). The result from the application of trade instruments is taken to costs or financial revenues.

Derivative Transactions Presented in the Profit and Loss Account:	PLN thousand	
	31.12.2016	31.12.2015
Sales of Products Adjustment	-36 401	-2 581
Sales of Goods Adjustments	0	0
Revaluation of Investments	-6 389	-3 238
Gains/Loss on Sale of Investments	-6 455	-6 792
<b>Total</b>	<b>-49 245</b>	<b>-12 611</b>

Cash Result from Reconciliation of Derivative Instruments:	PLN thousand	
	31.12.2016	31.12.2015
Commodity Transactions	5 971	61 401
Currency Transactions	-29 080	-81 537
<b>Total</b>	<b>-23 109</b>	<b>-20 136</b>

Sales of Products Adjustment Related to Application of Hedging Instruments:	PLN thousand	
	31.12.2016	31.12.2015
Sales Increase	42 035	99 161
Sales Decrease	-78 436	-101 742
<b>TOTAL</b>	<b>-36 401</b>	<b>-2 581</b>

Status of Capital from Revaluation Related to Application of Hedge Accounting (excluding Deferred Tax)	PLN thousand	
	31.12.2016	31.12.2015
<b>Valuation of Open Hedging Instruments:</b>	<b>-227 903</b>	<b>86 549</b>
- Zn	-185 134	101 780
- Pb	-392	3 522
- USD/PLN	-43 900	-19 374

## Abridged Interim Consolidated Financial Report for the 4th Quarter of 2016. Additional Information

- Ag	538	621
- EUR/PLN	985	0
<b>Result from the Application of Hedging Instruments Capital-Retained until the Realization of the Hedged Item:</b>	<b>-529</b>	<b>326</b>
- Zn		941
- Pb	-529	1 162
- USD/PLN		-1 777
<b>TOTAL</b>	<b>-228 432</b>	<b>86 875</b>

### VII. Other Information

1. In the 3<sup>rd</sup> quarter of 2016, the Capital Group did not experience any seasonality consequences. During the reporting period no other positions were recorded, significantly affecting the assets, liabilities, equity, net profit or cash flow, which would be untypical in terms of their kind, volume/size or frequency.
2. As of the balance sheet day, the Stalprodukt S.A. Capital Group holds the below mentioned off-balance-sheet contingent liabilities:
  - guarantees of good workmanship concerning the production and assembly of road barriers totaling PLN 16 501 thousand, and endorsement of a blank promissory note amounting to PLN 13 000 thousand, issued by STP Elbud Sp. z o.o. in order to secure the investment credit granted by Bank Pekao S.A.,
  - guarantees and sureties (avals) granted by ZGH "Bolesław" amounting to PLN 1 357 thousand.
3. The Issuer does not publish result forecasts.
4. The pending bankruptcy and composition proceedings cover the Group's receivables totaling PLN 4 893 thousand, wherein Stalprodukt's share amounts to PLN 743 thousand and ZGH "Bolesław"'s - PLN 4 150 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. On 28 October 2016 the Issuer informs that it received notice from the Shareholders: STP Investment S.A., Stalprodukt-Profil S.A., Stalnet sp. z o.o. and Piotra Janeczek, referred to in art. 77 par.7 in connection with art. 69 par.1 of the Act on Public Offer and Financial Instruments Introduction to Organized Trading, the number of shares acquired within the Call for Tenders (call announced on September 13, 2016) and the percentage share in the total number of votes achieved as a result of the Call for Tenders by each of the Calling Parties.

Shareholder - STP Investment S.A. acquired 1,541 Issuer's registered shares preferential as to the voting right and 1,355 registered non-preference shares,  
Shareholder - Stalprodukt-Profil S.A. acquired 1 Issuer's registered share preferential as to the voting right and 1 registered non-preference share,  
Shareholder - Stalnet sp. z o.o. acquired 2 Issuer's registered shares preferential as to the voting right and 2 registered non-preference shares,  
Shareholder - Piotr Janeczek acquired 100 Issuer's registered shares preferential as to the voting right and 88 registered non-preference shares.

6. On 28 October 2016 Issuer obtained information that on 25 October 2016 the Shareholder - ArcelorMittal Poland S.A. disposed of the total 1 446 of the Issuer's registered non-preference shares for the price of PLN 330.00 per share as part of their settlement of the tenders submitted in response to the call for tenders, announced pursuant to art. 73 of the Act on Public Offering and on Conditions for the Introduction of Financial Instruments into Organized Trading.
7. W dniu 24 listopada 2016 roku Emitent uzyskał informację od pełnomocnika spółki ArcelorMittal Poland S.A. w trybie art. 19 ust. 1 Rozporządzenia Parlamentu Europejskiego i Rady (UE) Nr 596/2014 z dnia 16 kwietnia 2014 roku w sprawie nadużyć na rynku oraz uchylające dyrektywę 2003/6/WE parlamentu Europejskiego i Rady i dyrektywy Komisji 2003/124/WE, 2003/125/WE i 2004/72/WE (Rozporządzenie MAR), informujące o zbyciu - wniesieniu aportem akcji Emitenta.  
Z otrzymanego zawiadomienia oraz przekazanej informacji wynika, że spółka ArcelorMittal Poland S.A. w dniu 21 listopada 2016 roku dokonała transakcji wniesienia 1 066 100 akcji zwykłych na okaziciela Emitenta tytułem aportu do ArcelorMittal Sourcing a société en commandite par actions, z siedzibą: 24-26 boulevard d'Avranches L-1160 Luxembourg, Grand Duchy of Luxembourg, zarejestrowanej w Rejestrze Handlowym i Spółek pod nr B59577.
8. 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 1 828 619 shares, accounting for a 32.77 %-share in capital and 5 870 991 votes, accounting for 48,13 % of the total number of votes at the General Meeting of Shareholders,
  - Stalprodukt Profil S.A. holding 621 719 shares, accounting for 11.14%-share in capital and 1 137 555 votes, accounting for 9.32 % 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,

## Abridged Interim Consolidated Financial Report for the 4th Quarter of 2016. Additional Information

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

a/ management officers:

- Piotr Janeczek 115 053 shares of nominal value: PLN 230 106,
- Józef Ryszka 504 shares of nominal value: PLN 1 008,
- Łukasz Mentel 100 shares of nominal value: PLN 200.

b/ supervision officers:

- Stanisław Kurnik 2 900 shares of nominal value: PLN 5 800,
- Maria Sierpińska 11 880 shares of nominal value: PLN 23 760,
- Kazimierz Szydłowski 3 462 shares of nominal value: PLN 6 924
- Janusz Bodek 61 974 shares of nominal value: PLN 123 948.

Moreover, Piotr Janeczek, by a subsidiary STP Investment S.A. holding 1 828 619 shares, accounting for a 32.77 %-share in capital and 5 870 991 votes, accounting for 48,13 % of the total number of votes at the General Meeting of Shareholders

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

The total value of the Issuer's transactions with associated companies in the period from 01.10.2016 to 31.12.2016 and in the comparable period from 01.10.2015 to 31.12.2015 is presented in the Table below.

Items the 4 <sup>th</sup> quarter of 2016	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-MB sp. z o.o.	82	1 680	171	1 133
Stalprodukt-Wamech sp. z o.o.	158	3 184	359	3 883
Stalprodukt-Centrostal sp. z o.o.	75 520	77	94 114	257
Stalprodukt-Serwis sp. z o.o.	77	2 647	178	2 712
Stalprodukt-Zamość sp. z o.o.	79	88	193	110
Stalprodukt-Ochrona sp. z o.o.	23	626	56	748
STP Elbud sp. z o.o.	356	4 259	865	5 577
Anew Institute sp. z o.o.		23		18
ZGH "Bolesław" S.A.		20	515	69
Cynk-Mal S.A.	5 121		3 720	677

## Abridged Interim Consolidated Financial Report for the 4th Quarter of 2016.

### Additional Information

Moreover, in the 4<sup>th</sup> quarter of 2016, some transactions were carried out with entities in which the Company holds stakes: Stalnet Sp. z o.o. - sales PLN 11 thousand, costs PLN 81 thousand; receivables PLN 5 thousand, liabilities PLN 33 thousand; Stalprodukt-Profil S.A. sales 4 thousand, costs PLN 0 thousand, receivables 2 thousand, liabilities PLN 0 thousand. The transactions concerned were carried out according to market rules.

Items the 4 <sup>th</sup> quarter of 2015	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-MB sp. z o.o.	32	1 753	73	1 250
Stalprodukt-Wamech sp. z o.o.	142	3 408	358	3 890
Stalprodukt-Centrostal sp. z o.o.	55 685		69 399	87
Stalprodukt-Serwis sp. z o.o.	69	2 301	182	2 985
Stalprodukt-Zamość sp. z o.o.	81	158	219	156
Stalprodukt-Ochrona sp. z o.o.	22	581	56	706
STP Elbud sp. z o.o.	318	2 031	775	3 409
Anew Institute sp. z o.o.				698
ZGH "Bolesław" S.A.		22		40
Cynk-Mal S.A.	5 836		3 524	1 405

11. In the reporting period the Group made investment outlays on the purchase and formation of tangible fixed assets amounting to PLN 54 251 thousand. No significant fixed asset components have been disposed of during the reporting period.
12. On 20 June 2016, the General Meeting of Shareholders adopted a resolution on the disbursement of dividend from the 2015 financial result. The profit amount appropriated for the dividend amounts to PLN 16 740 801.00, which, considering the number of shares: 5 580 267 items, yields PLN 3.00 per share. The dividend record date is fixed on 15 September 2016, and the dividend disbursement date was fixed on 30 September 2016.
13. As of 27.10.2016 the Minister of Environment's decision took effect amending the concession No 1/2009 dated 02.02.2009 for excavation of zinc and lead ores from the "Klucze I" deposit (below the level +251m m.a.s.l to the level +200.2m m.a.s.l.), situated within the administrative borders of the Klucze commune, Olkusz county, Małopolska province. The amendments to the concession concerned regarded the expansion of the "Klucze I" excavation area and extension of the concession term. The details were described in the Current Report No 33 dated 27 October 2016.



14. Undertaking further actions aimed at the further simplification of the subsidiary companies' structure (operating within the Zinc Segment), on 27.10.2016 the ZGH „Bolesław” S.A. company based in Bukowno (Merging Company) submitted a merger plan with the Kraków-Śródmieście Regional Court in Kraków, 12<sup>th</sup> Economic Department of the National Court Register, agreed upon between the company's Management Board and the Management Board of the subsidiary company „BOLESŁAW-RECYCLING” sp. z o.o. based in Bukowno (Merged Company). The Merging Company holds 100% of the Merged Company's shares. The plan provides for the merger through transferring the entire assets of the Merged Company to the Merging Company, without creating new shares or increasing the Merging Company's share capital. The merger of the above entities is a desired move both for strategic and operational reasons. The goal of the merger is to simplify the Capital Group's structure and improved effectiveness of its operation. The merger of the companies will allow for the reduction of their operational costs by approx. PLN 2 million per year, and, consequently, for maximization of the merged companies' profits. Moreover, the merger will affect the more effective use of the merged companies' potential, better allocation of cash, more effective management of human resources and assets of the merged companies.
15. Neither the Issuer nor its Capital Group's entities issued, redeemed or paid any debt or other capital securities, apart from the ones referred to herein.
16. During the reporting period and within the submission of the present quarterly report, neither the Parent Company, nor its subsidiaries, granted any sureties, loans, credits or guaranties, apart from the ones referred to herein.
17. In the Issuer's assessment, the factors likely to affect the Group's results at least in the perspective of the coming quarter, shall be:
  - fluctuations of charge prices and demand for Stalprodukt's products,
  - fluctuations of the LME zinc and lead prices and LBM silver prices ,
  - fluctuations of currency exchange rates.
18. During the reporting period and following 31.12.2016 until the preparation of the Abridged Consolidated Report for the 4<sup>th</sup> quarter no other important events took place, apart from the ones mentioned herein, which might significantly affect the Group's standing and its financial results. The Issuer does not possess any other information, which, in his opinion, is essential for the assessment and changes in the Group's staffing level, assets structure and financial standing, or information essential for the assessment of its potential capacity to settle the liabilities incurred.
19. Pursuant to par. 83, subpar. 3 of the Regulation of the Minister of Finance as of 19.02.2009 on current and periodic information to be disclosed by issuers of securities and conditions for recognizing as equivalent of information whose disclosure is

## Abridged Interim Consolidated Financial Report for the 4th Quarter of 2016. Additional Information

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required under the laws of a non-member state (Journal of Laws No 33, item 259), the Issuer does not submit its separate quarterly report. This Report constitutes a supplement to the Abridged Consolidated Report rendered as the "Stalprodukt S.A. Mid-Year Abridged Financial Report for the 4th Quarter of 2016".

20. No additional information was appended to the Abridged Consolidated Financial Report for the 4<sup>th</sup> quarter of 2016 as, during the reporting period, no other events, concerning the separate report, took place, apart from the ones referred to herein.
21. This Abridged Consolidated Financial Report for the 4<sup>th</sup> quarter of 2016 was approved for publication by parent Company's Management Board on 28.02.2017 r.

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

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Józef Ryszka  
Member of the Management Board  
– Marketing Director

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