Semi-Annual Report

on Stalprodukt S.A.

Capital Group's Activities

For the period from 1.01.2023 to 30.06.2023

Bochnia, August 2023

Contents:

1. **Capital Group's Structure**
2. **Selected financial data. Assessment of Economic and Financial Standing Sales of Basic**
3. **Information on financial instruments**
4. **Information on own shares**
5. **Sales of particular operating segments. Indication of the factors and events, including the non-typical ones, affecting the Abridged Interim Consolidated Financial Report.**
   - **5.1 Electrical Sheets Segment**
   - **5.2 Profiles Segment**
   - **5.3 The Zinc Segment**
   - **5.4 Group's Other Activities Segment**
   - **5.5 The Group's Sales Structure as divided into operational segments**
6. **A concise description of the Issuer's important accomplishments or failures in the reporting period, including the list of the most important events relating to the Issuer**
7. **Basic threats and risks related to the remaining months of the financial year**
8. **Basic threats and risks related to the remaining months of the financial year**
9. **Indication of the Shareholders, holding directly or indirectly through the subsidiary companies, at least 5% of the general number of votes at the Issuer's General Meeting as of the Semi-Annual Report's date of issue, as well as indication of changes in the shareholding structure in respect of the Issuer's substantial blocks of shares in the period pending from the submission day of the previous periodic report.**
10. **Compilation the Issuer's shareholding status or entitlements thereto exercised by the Issuer's managing or supervising officers as of the Semi-Annual Report's date of issue accompanied by the changes in the shareholding structure, in the period pending from the submission day of the previous periodic report, separately for each of the persons concerned**
11. **Indication of significant proceedings pending in court, agency proper for arbitration proceedings, or public administration agency, related to the liabilities or receivables of the Company or its subsidiary.**
12. **Information on a transaction or many transactions concluded by the Issuer or the Issuer's subsidiary with associated companies if such transactions were based on conditions other than market conditions.**
13. **Information on credit or loan sureties or guarantees granted by the Issuer or the Issuer's subsidiary – jointly to one entity or a subsidiary controlled by the entity if the total value of the existing sureties or guarantees is significant.**
14. **Other information that, in the Issuer's opinion, are essential for the assessment of the situation in the area of human resources, property and financial standing, financial result and changes thereof, as well as information that are essential for the assessment of the Issuer's capacity to settle its liabilities.**
15. **The factors, that in the Issuer's assessment, are likely to affect its results in the perspective of, at least, the next quarter.**
16. **Composition of Management Board's and Supervisory Board**

1. Capital Group's Structure

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

- **Stalprodukt-Wamech sp. z o.o. -** production of steel constructions, spare parts and rendering alteration services, road construction and maintenance, erection of road safety
- **Stalprodukt-Zamość sp. z o.o. -** production of construction woodwork
- **STP Elbud sp. z o.o. –** production of steel constructions and galvanizing services
- **Stalprodukt-Ochrona sp. z o.o. -** personal and property security services
- **Cynk-Mal S.A.** - production of galvanized hoop iron and wire
- **ZGH "Bolesław" S.**A. - excavation of non-ferrous metal ores and zinc and lead production
- **Anew Institute sp. z o.o. -** designing renewable energy sources
- **GO Steel a.s. -** production of electrical transformer sheets and cold-rolled sheets
- **Hotel Ferreus Sp.** z o.o. - providing hotel services (the company's operations were suspended from 1 July 2022 for a period of two years).
- **Stalprodukt-Centrostal Kraków sp. z o.o. in liquidation**

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

- in ZGH "Bolesław" – 94.93 %
- in other companies – 100 % shares each.

The parent company has 2 branches which are production departments of cold-bent profiles:

a) Stalprodukt S.A. Wydział Profili Giętych P3, ul. Nad Drwiną 10, 30-741 Kraków (production activities have been suspended),
b) Stalprodukt S.A. Wydział Profili Giętych P4,Al. Piaskowa 122, 33-100 Tarnów

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

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

Pursuant to art. 55 of the Accountancy Act as of 29.09.1994 (consolidated text Journal of Laws as of 2018, item 395), the Issuer prepares consolidated financial reports in reference to the periods beginning as of 1 January 2005 in accordance with IFRS.

Additionally, as of 30.06.2023 ZGH "Bolesław" had shareholdings in the following subsidiary companies (in brackets, ZGH' shareholding in share capital of those companies):

- Zinc Smelter - Huta Cynku "Miasteczko Śląskie" S.A. (92.78 %) – production of rectified zinc, lead and cadmium,
- Bol-Therm Sp. z o.o. (100 %) – power supply-, laboratory-, mechanics and construction-related services, transport-equipment and forwarding services, production of dolomite aggregates, zinc products and zinc alloys,
- Gradir Montenegro d.o.o. (99.61 %) – zinc ores mining and concentrate production,

- Agencja Ochrony Osób i Mienia ”Karo” Sp. z o.o. (100 %) – bodyguard and property security services.

1.1 Change of the Capital Group’s organizational structure during the 1st half of 2023.

On June 30, 2023, the liquidation process of Stalprodukt-Centrostal Kraków Sp. z o. o., was completed and the relevant documents were submitted to the National Court Register in order to remove the Company from the register (as at the date of publication of this report, no decision to remove the company from the National Court Register had been received).

The resolution to put the company into liquidation was adopted on September 29, 2021. This decision was a consequence of the implementation of the process of optimizing the distribution channels of Stalprodukt products, started in 2018.

Moreover, the Issuer decided to discontinue, as of January 1, 2023, production activities in the Bent Profiles Department located at ul. Nad Drwiną 10 in Kraków, with the simultaneous transfer of part of the production lines to the Bent Profiles Department in Tarnów. The hall where the production of sections took place is currently used as a commercial warehouse and a warehouse for finished products of the Profile Segment.

2. Selected financial data. Assessment of Economic and Financial Standing

In the first half of 2023, compared to the same period of 2022, the Stalprodukt S.A. Capital Group achieved sales revenues lower by PLN 506,491 thousand, i.e. by 16.6%.
At the level of gross profit on sales, PLN 281,907 thousand was achieved, against PLN 507,501 thousand in the first half of 2022, which means an decrease by 44.5%. On the other hand, at the level of operating profit, the level of PLN 134,117 thousand was reached, against PLN 346,407 thousand in the first half of 2022, i.e. lower by 61.3%.

SELECTED FINANCIAL DATA	thousand x PLN		thousand x EUR	
	1st half 2023 increasingly for the period from 01-01-2023 to 30-06-2023	1st half 2022 increasingly for the period from 01-01-2022 to 30-06-2022	1st half 2023 increasingly for the period from 01-01-2023 to 30-06-2023	1st half 2022 increasingly for the period from 01-01-2022 to 30-06-2022
I. Net sales of products, goods and materials	2 544 947	3 051 438	551 690	657 255
II. Operating profit (loss)	134 117	346 407	29 074	74 613
III. Profit (loss) before taxation	135 040	340 919	29 274	73 431
IV. Net profit (loss)	82 407	265 971	17 864	57 288
- attributable to shareholders of the parent company	83 582	265 812	18 119	57 254
- net profit attributed to non-controlling interests	-1 175	159	-255	34
V. Net cash flow from operating activities	249 320	71 771	54 047	15 459
VI. Net cash flow from investment activities	-59 536	-4 148	-12 906	-893
VII. Net cash flow from financial activities	-19 218	-49 986	-4 166	-10 767
VIII. Total net cash flow	170 566	17 637	36 975	3 799
IX. Total assets	5 137 602	5 181 355	1 154 440	1 104 790

X. Long-term liabilities	414 735	480 718	93 193	102 500
XI. Short-term liabilities	883 641	864 345	198 558	184 299
XII. Shareholders' equity	3 839 226	3 836 292	862 689	817 990
- equity attributable to shareholders of the parent	3 727 876	3 722 684	837 668	793 766
- equity attributed to non-controlling interests	111 350	113 608	25 021	24 224
XIII. Share capital	11 161	11 161	2 508	2 380
XIV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XV. Profit (loss) for one ordinary share (in PLN)	14,77	47,66	3,20	10,27
XVI. Weighted average number of shares	5 399 598	5 580 267	5 399 598	5 580 267
XVII. Diluted profit (loss) per ordinary share (PLN)	15,26	47,66	3,31	10,27
XVIII. Book value per share (PLN)	688,00	687,47	154,60	146,59
XIX. Diluted book value per share (PLN)	711,02	687,47	159,77	146,59
XX. Declared or paid-out dividend for one share in (PLN/EUR)	15,00	12,00	3,25	2,56

The net profit in the first half of 2023 amounted to PLN 82,407 thousand, compared to the first half of 2022, when it amounted to PLN 265 971 thousand, which means an decrease by 69.0%.
With the exception of the Profile Segment, which recorded a loss, the remaining operating segments recorded a loss in the first half of this year positive results.
The Stalprodukt Group's EBITDA amounted to PLN 224,962 thousand in the reporting period, which means a decrease of 48.3% compared to the first half of 2022, when its level amounted to PLN 434,893 thousand.
The Group's assets decreased slightly in the first half of the year, by 0.8%, and amounted to PLN 5,137,602 thousand as of June 30, 2023.

The level of the Group's equity remained at the level at the end of 2022 and amounted to PLN 3,839,226 thousand as at June 30, 2023.

Profit per share in the first half of 2023 amounted to PLN 14.77 and was 69.0% lower than that generated in the same period of 2022 (PLN 47.66).

Detailed information on the results of individual operating segments is presented in point 5 of this report.

3. Information on financial instruments

Detailed information on financial instruments in the scope of:

a) risks: related to changing prices, loan, major obstructions to cash flow and cash flow loss, to which the entity is exposed,

b) goals and financial risk management methods adopted by the entity, including hedging methods for crucial types of intended transactions to which hedge accounting is applied

have been included in the Stalprodukt S.A. Financial Statement (page 31. “Financial Instruments and Risk Management Assessment”).

4. Information on own shares

Stalprodukt S.A. company as at June 30, 2023, it had a total of 180,669 own shares, the nominal value of which is PLN 361,338, and the share in the Issuer's share capital is 3.24%. These shares entitle to exercise 666,329 votes at the general meeting of Stalprodukt, which constitutes 5.46% of the total votes at the general meeting. The own shares were acquired as part of two tranches of the Program for the purchase of own shares for redemption, announced on September 1, 2022 and November 16, 2022. The transfer of ownership of the shares between the shareholders and the Company took place outside the regulated market through Dom Maklerski BDM S.A. based in Bielsko-Biała and settled within the deposit and settlement system of the National Depository for Securities S.A.

The basis for the purchase of shares was the authorization granted by the Ordinary General Meeting of Stalprodukt S.A. on June 23, 2022 (Resolution No. XLI/14/2022 on the acquisition of own shares by the Company for the purpose of redemption). The purpose of the purchase of own shares was to redeem them and reduce the Company's share capital. On June 27, 2023, the Ordinary General Meeting of Stalprodukt S.A. adopted Resolution No. XLII/12/2023 on the redemption of own shares purchased by the Company and Resolution No. XLII/13/2023 on the reduction of equity capital. Until the publication of this report, the National Court Register has not registered the redemption of the purchased shares and the reduction of the Company's share capital.

5. Sales of particular operating segments. Indication of the factors and events, including the non-typical ones, affecting the Abridged Interim Consolidated Financial Report.

OPERATING SEGMENTS the Stalprodukt Capital Group		**1st half of 2022**	**1st half of 2023**	**Change (2023/2022)**
Electrical Sheets Segment				
Segment Revenues	*thousand x PLN*	860 742	**861 529**	0,1%
Segment Result	*thousand x PLN*	234 485	**181 545**	-22,6%
Segment margin	%	27,2%	**21,1%**	
Profiles Segment				
Segment Revenues	*thousand x PLN*	595 374	**369 496**	-37,9%
Segment Result	*thousand x PLN*	69 553	**-26 343**	
Segment margin	%	11,7%	**-7,1%**	
Zinc Segment				
Segment Revenues	*thousand x PLN*	1 376 871	**1 145 983**	-16,8%

Segment Result	*thousand x PLN*	83 763	**54 032**	-35,5%
Segment margin	%	6,1%	**4,7%**	
Other Activities Segment of Capital Group				
Segment Revenues	*thousand x PLN*	218 451	**167939**	-23,1%
Segment Result	*thousand x PLN*	59 106	**20 547**	-65,2%
Segment margin	%	27,1%	**12,2%**	
Operating segments together				
Segments Revenues	*thousand x PLN*	3 051 438	**2 544 947**	-16,6%
Segments Result	*thousand x PLN*	446 907	**229 781**	-48,6%
Segments margin	%	14,6%	**9,0%**	

5.1 Electrical Sheets Segment

Electrical Sheets Segment embraces the sales of electrical transformer sheets and cores pursued by Stalprodukt S.A., and also sales of transformer sheets pursued by GO Steel a.s.

The revenues of the Electrical Sheets Segment amounted to PLN 861,529 in the reporting period and increased only slightly, by 0.1%, compared to the first half of 2022. The Segment's result amounted to PLN 181,545 thousand, which means a decrease of 22.6% in relation to 2022. As a consequence, the margin of the Electrical Sheets Segment also decreased in the reporting period to 21.1% (from 27.2% in 2022).

The Electrical Sheets Segment recorded a decrease in the sales volume of transformer sheets compared to the first half of 2022 by 6.5%. Prices remained at a level similar to the first half of 2022. At the same time, the segment result decreased by PLN 52,940 thousand, which (apart from market factors) was influenced by the rapid strengthening of the Polish zloty in the second quarter of this year. against the euro and the US dollar. The impact of this factor amounted to PLN 14,861 thousand.

In the first half of 2023, the share of HiB sheets in the plant in Bochnia amounted to 25% of the production volume. Additionally, as in the first half of 2022, the plant in the Czech Republic made a significant contribution to the segment's result.

Despite improved results, the situation of producers in the European Union is still negatively affected by competition with lower production costs from regions without fees for CO_2 emissions and lower energy costs. Hence, there is still a certain level of uncertainty regarding the further development of the macroeconomic situation in many markets.

The Company forecasts that in the second half of 2023 there will be a continuation of price corrections on the transformer sheet market in relation to the maximum prices in 2022, which will result in a narrowing of margins on the Segment's products. It should be emphasized that price adjustments will take place in relation to a very high price base.

Market situation

Despite favorable forecasts for the development of demand for grain-oriented sheets in the long term, related to the increase in demand for electricity and the so-called "green transformation", the coming period will be difficult for the transformer industry.

The reason for this assessment is the high overproduction of grain-oriented sheets in Asian countries (especially in China), which - with reduced demand - puts a strong downward pressure on prices, both in Europe and other global markets. The impact of this situation will be clearly felt in the results of the Electrical Sheets Segment in the second half of 2023.

5.2 Profiles Segment

The Profiles Segment embraces the sales of cold formed profiles (tubes and sections) road safety barriers and hot-rolled and cold-rolled steel sheets and strips (products of steel service centers). These activities are pursued by the Stalprodukt S.A. production plants localized in Bochnia and Tarnów.

Revenues from sales of the Profiles Segment decreased compared to the same period in 2022 by PLN 225,878 thousand, i.e. by 37.9%. A decrease (by 24%) compared to the first half of 2022 was also recorded in terms of sales volumes. The reason for such declines is a significant weakening of demand for the segment's products and price drops compared to the first half of 2022. The above had a negative impact on the Segment's results. As a result, the Segment recorded a loss of PLN 26,343 thousand.

The Issuer does not expect any significant improvement in the coming quarters related to the difficult macroeconomic situation in the industries in which its clients operate.

Market situation

The Company's current share in the apparent consumption of cold-bent sections in the country is estimated at approximately 25%, based on HIPH and KAS data. However, please note that not all domestic producers report their production levels to HIPH.

Pipe production in Poland in the period January - June 2023 according to HIPH data amounted to 295 thousand tons (decrease by 16%), including cold-bent sections, 113 thousand tons were produced, which means a decrease of 20% compared to the same period in 2022.

The apparent consumption of pipes in the above period decreased by 27% and amounted to 424 thousand tons, the situation for individual product groups was different: in the case of seamless pipes, there was a decrease of 22% (to 85 thousand tons), in the case of welded pipes, a decrease of 28% (339 thousand tons), including for sections cold-formed products recorded a 23% decrease (181 thousand tons).

Pipe exports in the period January - June 2023 decreased by 9% and amounted to 250,000 tons. In the case of cold-bent sections, 67,000 were recorded tons of exports (which means a decrease of 14%).

During the first six months of this year, 169,000 tons were imported to Poland of cold-bent closed sections and pipes corresponding to our production. This result in terms of volume is 20% lower than in the same period in 2022.

It should be emphasized that the Profiles Segment remains under the greatest pressure from the unfavorable market environment and economic situation in Poland and Europe, in particular reduced demand and falling prices for finished steel products.

Steel production in Europe in the first half of 2023

Production in the EU (27) in June fell by 11.1% year on year to 10.6 million tones. In the first six months of 2023, steel production amounted to 66.3 million tons, which means a decrease of 10.9% compared to the same period in 2022.

Germany, the seventh largest steel producer in the world, recorded a production decline of 5.3% to 18.5 million tons in the first half of the year, and by 8.4% (2.9 million tons) in June. According to WV Stahl, the German steel federation, German production declined in the first half of 2023 due to weak domestic demand and high electricity prices.

The production of raw steel in Poland in the first half of 2023 decreased by as much as 21%, to 3.3 million tons.

Steel pipe industry forecast for 2023-2024 (according to the Eurofer Association)

The negative factors that seriously impacted Europe's apparent steel consumption in 2022 and led to a recession (-7.2%) - i.e. war-related disruptions, weak demand prospects and significant increases in energy prices and production costs - have and will continue to continued to impact the steel sector's performance throughout 2023, included in the results as the prolonged effects of Russia's war in Ukraine and as the effects of increasing economic uncertainty due to inflation.

Due to the above, Eurofer in August this year It revised its earlier forecast by predicting that Europe's explicit steel consumption will decline further in 2023, at an even steeper rate than previously expected (-3%, revised down from -1%). This would mark the fourth year of recession in the last five years.

However, in 2024, explicit steel consumption is expected to increase at a faster rate (+6.2%, previous estimates +5.4%), provided that the situation in the industry develops more favorably and provided that the demand for steel improves.

5.3 The Zinc Segment

The Zinc Segment embraces the operational scope of ZGH "Bolesław" S.A. along with its subsidiary companies, i.e. excavation of zinc and lead ores, zinc and lead production as well as related activities.

In the first half of 2023, the net revenues of the Zinc Segment amounted to PLN 1,145,983 thousand and compared to the same period of the previous year, in which sales amounted to PLN 1,376,871 thousand, were lower by 16.8%. When analyzing the dynamics of profit and loss account items, which allows determining the direction and intensity of changes in factors affecting the results achieved in the current year, attention should be paid to:

- a 25% decrease in the zinc price in PLN this year from PLN 16,272/t (in the first half of 2022) to PLN 12,195/t (in the first half of 2023),
- increase in premiums on the sale of zinc and galvanizing alloys in ZGH,
- y/y decline in unit prices of energy factors (coke, coke and gas).
  In the ZGH Group, the value consumption in coke/coke breeze processes decreased by 26% and gas by 35%,
- recognition of the costs of unused production capacity in the amount of PLN 7,883 thousand,
- surplus of negative exchange rate differences over positive ones in the amount of PLN 11,464 thousand,
- the value of the "expensive" sulphide concentrate used in ZGH in the second quarter from the stock, the value of which was higher by a total of PLN 19,800 thousand in relation to current prices.

SALE OF THE ZINC SEGMENT

- sales of zinc in the first half of 2023 amounted to 69.7 thousand tons and was lower by 7.1 thousand tons (-9.3%) compared to sales recorded in the first half of 2022;
- sales of silver (Dore's metal) in the first half of 2023 amounted to 222.5 thousand ounces and was lower by 82.7 thousand ounces (-27.1%) compared to recorded sales in the first half of 2022;
- sales of refined lead in the first half of 2023 amounted to 4.7 thousand tons and was lower by 0.508 thousand tons (-9.8%) compared to the same period in 2022.

SMELTERS' PRODUCTION

- zinc production in the first half of 2023 amounted to 75.5 thousand tonnes and was lower by 4,1 thousand tonnes (-5.1%) compared to the first half of 2022;
- production of refined lead in the first half of 2023 amounted to 8,0 thousand tonnes and was at a comparable level y/y;
- silver production (Dore's metal) in the first half of 2023 amounted to 239,8 thousand ounces and was lower by 56.9 thousand ounces (-19.2%) compared to the first half of 2022.

In addition to concentrates from the processing of imported ore, ZGH "Bolesław" S.A. produces concentrates based on zinc-bearing waste. The production volume of these concentrates in the first half of 2023 amounted to 25.2 thousand tons of zinc and lead in total, and in the comparable period last year it was 24.6 thousand tons of metal in these concentrates. These concentrates constitute the input to the "Miasteczko Śląskie" Zinc Smelter.

In the first quarter of 2023, ZGH "Bolesław" had stocks of concentrates purchased at relatively high prices, reflecting the market conditions prevailing in that period. As a result of the subsequent significant drop in zinc exchange prices and, consequently, in the sales prices of zinc products, this had a negative impact on the result of the Zinc Segment in the first half of 2023. This situation is a direct consequence of the liquidation of the mine and thus the Segment's greater exposure to the increase in the costs of purchasing concentrates for zinc production.

The second factor influencing the results of the Zinc Segment in the reporting period was the decline in demand for zinc resulting from the decline in demand for galvanized products and structures.

Market situation

The zloty is getting stronger, the dollar is getting cheaper - this is how the second quarter of 2023 could be summed up. On the last day of June, the Polish zloty continued its upward trend and made up for losses against the most important currencies. On the last day of June, the dollar (USD) was valued at PLN 4.1066, while the euro (EUR) cost PLN 4.4503. Compared to the peak recorded in September last year, this means a discount of over 20%. (in autumn the American currency was valued at over PLN 5). The highest price per ton of zinc (LME zinc cash-settlement) on the London Metal Exchange in the first half of 2023 is USD 3,509 (January 27), and the lowest is USD 2,224 (May 25). At the end of June 2023, zinc stocks in warehouses registered on the LME amounted to approx. 81,000 tones. As of June 30, the price of the metal used to galvanize steel is $2,363 per ton, down $1,146 from the January high.

Converted into PLN, the average annual zinc price was PLN 12,195/t and was 25% lower than in the comparable period of 2022, when it reached PLN 16,272/t.
Converted into PLN, the average annual lead price amounted to PLN 9,120/t and was 5% lower than in the comparable period of 2022, when it reached PLN 9,617/t.
Converted into PLN, the average annual silver price was PLN 3,158/kg, and was 2% lower than in the comparable period of 2022, when it amounted to PLN 3,220/kg.

Energy factors market
On the Polish Power Exchange Market (TGE) in March 2023, compared to the previous month, the prices of electricity and gas fell both on the spot and futures markets.

• Electricity (stock exchange data).

There is great uncertainty in the market, which translates into significant risk valuation in futures contracts. Spot (daily) contracts are characterized by high price variability, which oscillate in the range of PLN 200 - 800/MWh. The main influence here is the generation of energy from renewable energy sources - the larger it is, the lower the energy price. In June, the price of energy on the spot market increased on the Polish Power Exchange (TGE), and futures contracts became cheaper. In June 2023, the average volume-weighted price of electricity on the Day Ahead Market (DAM) was PLN 550.93/MWh, an increase of PLN 57.86/MWh compared to the average price from the previous month. June turned out to be the second month in a row in which futures contracts lost value. On the Forward Market for Products with electricity delivery (RTPE), the weighted average price of an annual contract with band delivery in 2024 (BASE_Y-24) amounted to PLN 661.64/MWh in June 2023. This means a decrease of PLN 39.53/MWh compared to the corresponding price of this contract in May this year.

- Gas (market data)

Recently, we have been observing significant drops in gas prices on the Polish and European exchanges. Currently (July 19, 2023), gas prices on the Polish Power Exchange Market for delivery in May 2023 are around PLN 200/MWh, while the price of this fuel in August 2022 was PLN 1,500/MWh. This state of affairs is mainly due to: a warm winter (much above the long-term average),

lower industrial demand, high gas stocks and LNG supplies (mainly from the United States), which have largely replaced imports from Russia.

The average price weighted by the trading volume on the RDNiBg was PLN 153.25/MWh, a decrease of PLN 5.35/MWh compared to the previous month. In turn, on RTPG, the weighted average price of the contract with delivery in 2024 (GAS_BASE_Y-24) was in June this year PLN 243.45/MWh, i.e. PLN 13.50/MWh less than the corresponding price of this contract in May 2023.

Legislation (major changes)
At the end of 2022, the following entered into force:

a) Act freezing electricity prices, which sets the maximum price for companies from the SME sector and public consumers at PLN 785/MWh and introduces the obligation for energy producers and trading companies to pay write-offs to the Price Difference Fund in the case of applying margins higher than 1% - 3 %,
b) amendment of the system regulation regarding the functioning of the power system, which introduces new rules for pricing electricity on the Balancing Market. In practice, the above act is intended to translate into lower electricity prices on the wholesale market. Both laws are temporary and remain in force until the end of 2023.

In practice, the above mentioned acts are intended to translate into lower electricity prices on the wholesale market. Both laws are temporary and remain in force until the end of 2023.

Main factors affecting the results achieved by the segment:

- concerns about a potential global recession,
- development of zinc quotations,
- exchange rate developments,
- prices of electricity, coke and natural gas,
- prices of CO_2 emission allowances.

5.4 Segment of other activities of the Group

The segment of the Group's other activities does not constitute a separate segment in accordance with IFRS 8, it is only a supplement to the profit and loss account in terms of revenues from other sources of activity, apart from the 3 reported operating segments. It covers the sale of products, goods and services by the following entities: STP Elbud sp. z o.o., Cynk-Mal S.A., Stalprodukt-Zamość sp. z o.o. and Stalprodukt-Wamech sp. z o.o.

The revenues of the Other Activities Segment decreased by 23.1% in the reporting period to PLN 167,939 thousand, and its result decreased by 65.2%, i.e. to PLN 20,547 thousand.

5.5 **The Group's Sales Structure as divided into operational segments**

Product range	**the first half of 2022**		**the first half of 2023**	
	value (PLN thousand)	share (%)	Value (PLN thousand)	share (%)
Electrical Steel Segment	860 742	28,2	861 529	33,9
Profiles Segment	595 374	19,5	369 496	14,5
Zinc Segment	1 376 871	45,1	1 145 983	45,0
CG's other activities	218 451	7,2	167 939	6,6
Total	**3 051 438**	**100,0**	**2 544 947**	**100,0**

In the sales structure of individual operating segments of the Group, an increase in the share of the Electrical Steel Segment (from 28.2% to 33.9%), maintaining the share of the Zinc Segment (45.0%), with a simultaneous decrease in the share of sales of Profiles Segments (from 19.5%) to 14.5%) and Other Activities (from 7.2% to 6.6%).

6. A concise description of the Issuer's important accomplishments or failures in the reporting period, including the list of the most important events relating to the Issuer

a) Adoption of new directions of strategic activities for the Stalprodukt Group

On February 17, 2023, the Management Board of the Company published information on the assumptions for the directions of strategic activities of the Stalprodukt S.A. Capital Group for the years 2023-2030.

The basic risks defined in the activities of the Capital Group include, among others:
- possible restrictions in the supply of electricity and raw materials;
- the risk of significant increases in the costs of purchasing electricity and natural gas;
- further tightening of regulations regarding climate policy, especially the introduction of a new greenhouse gas emission reduction target (by 62% for sectors covered by the EU ETS by 2030) is a serious challenge for energy-intensive entities such as ZGH and HCM in the coming years, and meeting its requirements guarantees further functioning of this business segment;
- effects of the so-called border carbon tax (CBAM), including withdrawal of free CO_2 emission allowances,

Main goals to be achieved by the Group:

- **improving energy efficiency by** development of cogeneration sources with a total capacity of approx. 22 MW (reconstruction of technological lines),
- **decarbonisation of the Group's production (**elimination of the use of thermal coal, replacement of "grey" hydrogen, the so-called "green", construction of own renewable energy sources.

Measurable goals by reduction of CO_2 emissions (both in terms of direct and indirect emissions):
- in the area of steel processing - by 72 thousand. tonnes/year, i.e. by 55%;
- in the area of zinc production:

  - in the process of electrolysis (ZGH) - by 266 thousand. tonnes/year, i.e. by 50%;
  - in the ISP (HCM) process – by 96 thousand. tonnes/year, i.e. by 20%;
- reducing the demand for electricity by approx. 268 GWh/year, which is approx. 40% of the current consumption.

The total expenditure on the above projects will amount to PLN 1 billion in the period until 2030, with the participation of the steel processing and zinc production areas in each of approx. 50% of these expenditures.
The total effects in the form of reduced demand, mainly for the purchase of electricity and gas, will amount to approx. PLN 290 million per year after the full program is completed.

A new area planned to be undertaken by the Group is the project of construction of commercial buildings, i.e. an office building and premises for rent in the PRS formula. Private Rented Sector) at ul. Wadowicka/Tischnera in Krakow - "Tischnera Green Town".

The estate is intended to be neutral in terms of environmental impact and consist of modern buildings with a high BREEAM rating, powered by cogeneration sources (ultimately based on "green" hydrogen), energy obtained from photovoltaic panels located on the roofs and facades of buildings and the use of heat pumps and rainwater. The project also includes charging points for electric cars.

The above directions of strategic activities are aimed at both diversifying the risk of the Group's activities and significantly reducing its costs (investments in renewable energy sources).

b) Completion of the construction of a cogeneration source by ZGH "Bolesław"

As part of its investment tasks, ZGH "Bolesław" completed the construction of a cogeneration source. The installation is scheduled to start up at the turn of August/September and, depending on energy and gas prices, it will be possible to obtain financial benefits from this.

c) deterioration of the general economic situation and its impact on sales results

According to data published by the Central Statistical Office, Poland's GDP decreased by 0.5% in the second quarter of 2023. compared to last year (with the decline expected by analysts at 0.2%). Compared to the first quarter of 2023, this decline was even deeper and amounted to 3.7%. Therefore, GDP dynamics in the second quarter turned out to be not only weaker than average market expectations, but also worse than that recorded in the first quarter of this year.

The deterioration of the economic situation in the country was reflected in a decline in volumes and sales value (mainly applies to the Profiles and Zinc Segments). This proves, first of all about weak demand in the reporting period for products from these segments.

A particularly difficult situation occurred in the Profiles Segment, where declines in sales volumes were combined with declines (over 20%) in the prices of finished products.

7. Description of basic threats and risks related to the remaining months of the financial year

Production costs, especially those related to the purchase of input materials and energy carriers (especially electricity and gas), will continue to constitute a serious risk for the Stalprodukt Group. In the case of the Zinc Segment, the costs of purchasing energy (electrolysis process in Huta Bolesław) and gas and coke (ISP process in Miasteczko Śląskie) are particularly important.

Due to the uncertain situation regarding the availability of cold gas in the winter season, the risk of limited supplies to industrial companies that would be the first to be affected by such restrictions cannot be ruled out.

Natural gas is also used in the processes used by Stalprodukt S.A. and GO Steel a.s. in the production of transformer sheets.

The results of the second half of the year in the operations of the Stalprodukt Group will also be largely influenced by market conditions, in particular weak demand for products from the Sheets and Profiles Segments and lower demand for zinc and its alloys (this applies especially to zinc used for galvanizing steel structures and other products). of steel).

Lower demand also causes a decline in the prices of finished products, which will be particularly visible in the case of the Electrical Sheets Segment.

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

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

9. Indication of the Shareholders, holding directly or indirectly through the subsidiary companies, at least 5% of the general number of votes at the Issuer's General Meeting as of the Semi-Annual Report's date of issue, as well as indication of changes in the shareholding structure in respect of the Issuer's substantial blocks of shares in the period pending from the submission day of the previous periodic report.

As of the Report submission day, the shareholders holding at least 5% of the total number of votes at the General Meeting are:

- STP Investment S.A. holding 1,529,319 shares, accounting for a 27.41 %-share in capital and 4,375,691 votes, accounting for 35.87 % of the total number of votes at the General Meeting and through F&R Finanse sp. z o.o. 43,807 shares, accounting for 0.79 %-share in capital and 43,807 votes, accounting for 0.36 % of the total number of votes at the General Meeting,
  i.e. the total 1,573,126 shares, accounting for a 28.19 %-share in capital and 4,419,498 votes, accounting for 36.23 % of the total number of votes at the General Meeting,

- FABIOS S.A. holding directly 56,610 registered preference shares, accounting for 1.01%-share in capital and 283,050 votes, accounting for 2.32 % of the total number of votes at the General Meeting and through FCASE Sp. z o. o. Sp. k. 243,410 registered preference shares accounting for 4.36%-share in capital and 1,217,050 votes, accounting for 9.98 % of the total number of votes at the General Meeting, i.e. a total of 300,020 shares, accounting for 5.38%-share in

capital and 1 500 100 votes, accounting for 12.30 % of the total number of votes at the General Meeting,

- 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,

- 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.

10. Compilation the Issuer's shareholding status or entitlements thereto exercised by the Issuer's managing or supervising officers as of the Semi-Annual Report's date of issue accompanied by the changes in the shareholding structure, in the period pending from the submission day of the previous periodic report, separately for each of the persons concerned

a) Managerial Officers

Name and surname	Updated number of shares of Stalprodukt S.A. (as of 30.08.2023)	Number of previously held shares of Stalprodukt S.A. (as of 15.05.2023)	Changes in the Issuer's Ownership Structure
Piotr Janeczek	115 053	115 053	Did not occur
Łukasz Mentel	100	100	Did not occur

b) Supervisory Officers

Name and surname	Updated number of shares of Stalprodukt S.A. (as of 30.08.2023)	Number of previously held shares of Stalprodukt S.A. (as of 15.05.2023)	Changes in the Issuer's Ownership Structure
Stanisław Kurnik	1 000	1 000	Did not occur

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

11. Indication of significant proceedings pending in court, agency proper for arbitration proceedings, or public administration agency, related to the liabilities or receivables of the Company or its subsidiary.

An important proceeding in court is a lawsuit filed by Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. in Olkusz against the ZGH "Bolesław" S.A. Company for payment of mining damages in the amount of PLN 64,015,224.00 (file reference number IX GC 99/14).

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

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 judgment, 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 judgment dismissing the action. The company appealed against the judgment.

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.

On July 28, 2020, the company ZGH "Bolesław" S.A. filed a cassation appeal against the above judgment. The Supreme Court in Warsaw By a decision of January 27, 2021, refused ZGH "Bolesław" S.A. accepting a cassation appeal for examination. In this state, the case will be reviewed by the District Court, which will determine the amount of compensation.

On September 16, 2021, the Order of the District Court, IX Commercial Division in Kraków, of August 30, 2021, was submitted, obliging PWiK Sp. z o.o. to submit a pleading within one month from the delivery of a copy of this ordinance, and ZGH "Bolesław" S.A. to submit, within one month from the date of delivery of the copy of the pleading from PWiK Sp. z o.o.

On November 15, 2021 ZGH "Bolesław" S.A. issued a letter to the Court with a request to oblige PWiK sp. z o.o. to submit to the Court and the party documents and information related to the technical operation of the water supply network. The District Court, by order dated 10 December 2021, granted the request and obliged PWiK sp. z o.o. to submit such information or submit a letter that he will not submit it. From the substantive point of view, it is important that in the letter referred to above, PWiK sp. z o.o. limited the claim by approx. PLN 10,000 thousand and is currently demanding the amount of PLN 54 839 thousand.

On December 10, 2021, a pleading from PWiK Sp. z o.o. was received. It does not contain the information requested by ZGH "Bolesław" S.A. in a letter of November 15, 2021. In this state, the preparation of the pleading / pleadings containing the current position of ZGH "Bolesław" S.A. is underway.

On February 28, 2022, ZGH “Bolesław” S.A. submitted their position on the matter. The letter contained a motion to dismiss the claim, as well as formal and evidentiary motions. The basis for submitting a motion to dismiss the claim is the indication that PWiK sp. z o.o. has not suffered any damage in terms of civil law, i.e. there has been no financial loss. Further allegations were raised, boiling down to the fact that the possible damage may not be the own expenditure on the investment made, and there is no damage in the scope of the so-called stage II, where no expenses were incurred, and their incurring is not settled and justified. On March 17, 2022, PWiK sp. z o.o. submitted another letter in the case. On April 5, 2022, the District Court in Krakow called on the parties to the dispute to consider mediation in the case.

On July 15, 2022, the District Court in Kraków issued a Decision on the admission of evidence from the Institute's opinion on the legitimacy and amount of the damage suffered so far by PWiK Sp. z o.o., as well as future planned expenses. On September 22, 2022 a pleading of ZGH "Bolesław" S.A. was delivered to the District Court in Krakow - a request for evidence in the field of evidence from the opinion of the Institute. In a letter of November 8, 2022, the District Court called on the parties' attorneys to indicate further proposals of the entity that would undertake the preparation of the opinion. At the request of the Court, ZGH "Bolesław" S.A. in the letter of December 14, 2022 indicated the Silesian University of Technology in Gliwice, Faculty of Environmental and Energy Engineering, Department of Water and Sewage Engineering. In turn, PWiK Sp. z o.o. proposed 3 universities. The information portal of the District Court in Kraków shows that a letter from the Court was sent to the Silesian University of Technology in Gliwice, Faculty of Environmental and Energy Engineering, Department of Water and Sewage Engineering requesting to loan of the case files for a month in order to prepare an opinion.

Despite the search for an expert who would provide an opinion in this case for about 2 years, subsequent scientific entities (universities or institutes) refuse to allow the court to conduct it. In this state, the District Court issued a decision of June 23, 2023, in which it referred the case to mediation at the Arbitration Court at the Solicitor General of the Republic of Poland, and the court set a mediation duration of 3 months. Both parties to the case did not oppose mediation, but the plaintiff (PWiK) expressed skepticism. In this state, it is difficult to assess the chances of success of mediation. It will certainly result in further court actions taking place at the turn of 2023/2024.

As at June 30, 2023, the amount of provisions in the subsidiary and at the level of the consolidated financial statements covers 100% of the amount from the lawsuit. The amount was presented in the statement of financial position under the item "short-term provision for decommissioning, recultivation and environmental repair costs".

12. Information on a transaction or many transactions concluded by the Issuer or the Issuer’s subsidiary with associated companies if such transactions were based on conditions other than market conditions.

The transactions with associated companies in the 1st half of 2023 are concerned with:

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

Detailed data was disclosed in the financial statements

It should be stressed that these were typical and routine transactions, arising from the on-going operating activities and rendered on a continuous basis. These transactions are based on market conditions.

13. Information on credit or loan sureties or guarantees granted by the Issuer or the Issuer's subsidiary – jointly to one entity or a subsidiary controlled by the entity if the total value of the existing sureties or guarantees is significant.

On June 28, 2023, Stalprodukt S.A. granted a loan to the subsidiary STP ELBUD Sp. z o. o. in the amount of PLN 15 million to repay the loan liability under a multi-purpose line. The loan was granted for a period of 5 years, with straight-line amortization and on market terms.

14. Other information that, in the Issuer's opinion, are essential for the assessment of the situation in the area of human resources, property and financial standing, financial result and changes thereof, as well as information that are essential for the assessment of the Issuer's capacity to settle its liabilities.

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

15. The factors, that in the Issuer's assessment, are likely to affect its results in the perspective of, at least, the next quarter.

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

- 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
- prices of electricity and energy raw materials,
- price formation and gas availability,
- prices of CO_2 emission allowances.

16. Composition of Management Board's and Supervisory Board

<u>Management Board Composition</u>

In the period from 1 January 2023 to 30 June 2023, the Stalprodukt Management Board was composed of:

Piotr Janeczek - President of the Board
Łukasz Mentel - Member of the Board

Supervisory Board Composition

In the period from 1 January 2023 to 30 June 2023, the Stalprodukt Supervisory Board was composed of:

Stanisław Kurnik	- Chairman of the Supervisory Board
Sanjay Samaddar	- Vice-Chairman of the Supervisory Board
Magdalena Janeczek	- Secretary
Agata Sierpińska-Sawicz	- Member
Romuald Talarek	- Member

The present Report on the Activities of the Stalprodukt S.A. Capital Group was approved for publication by the parent company's Management Board on 30.08.2023.

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

Bochnia, 30 August 2023