

Consolidated extended quarterly report  
of the Zamet Industry S.A. Capital Group  
for **Q1 2017**  
containing quarterly separate financial information

# Zamet Industry

More than experience. Steel experience.

PIOTRKÓW TRYBUNALSKI, 12 May 2017

SELECTED FINANCIAL DATA .....	3
INFORMATION ON THE ISSUER'S CAPITAL GROUP .....	5
OWNERSHIP STRUCTURE.....	8
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF ZAMET INDUSTRY S.A.....	9
1. CONSOLIDATED FINANCIAL STATEMENT - BALANCE .....	9
2. CONSOLIDATED PROFIT AND LOSS STATEMENT .....	10
3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....	10
4. CONSOLIDATED CASH FLOW STATEMENT .....	11
5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	12
6. STATEMENTS AND CONTENT OF THE FINANCIAL STATEMENT .....	13
7. ADOPTED ACCOUNTING PRINCIPLES .....	13
8. CHANGES TO DATA PRESENTATION IN THE FINANCIAL STATEMENTS .....	13
9. INFORMATION CONCERNING REVALUATION WRITE-OFFS AND PROVISIONS.....	14
10. DESCRIPTION OF THE MOST IMPORTANT EVENTS IN THE REPORTING PERIOD .....	14
11. FACTORS AND EVENTS AFFECTING THE RESULTS .....	15
12. BUSINESS AND GEOGRAPHICAL SEGMENTS .....	19
13. INFORMATION ON SEASONAL AND CYCLICAL NATURE OF BUSINESS .....	22
14. TRANSACTION WITH AFFILIATES.....	22
15. CREDITS AND LOANS .....	23
16. GRANTED GUARANTEES OR WARRANTIES AND CHANGES IN CONTINGENT LIABILITIES.....	26
17. INFORMATION ON PAID OR DECLARED DIVIDEND .....	26
18. INFORMATION ON EVENTS AFTER THE REPORTING PERIOD .....	26
19. INFORMATION ABOUT EVENTS CONCERNING PREVIOUS YEARS .....	27
20. OTHER NOTES AND CLARIFICATIONS.....	27
ADDITIONAL INFORMATION .....	29
1. SHARES HELD BY THE MANAGEMENT AND SUPERVISORY BOARD MEMBERS .....	29
2. MANAGEMENT OPINION ON THE FEASIBILITY OF FORECASTS .....	29
3. INFORMATION ON JUDICIAL AND ADMINISTRATIVE PROCEEDINGS.....	29
4. EXPOSURE CURRENCY .....	29
5. HUMAN RESOURCES .....	30
6. FACTORS THAT MAY AFFECT RESULTS OF FUTURE REPORTING PERIODS .....	31
7. OTHER INFORMATION.....	33
SEPARATE CONDENSED FINANCIAL STATEMENTS OF ZAMET INDUSTRY S.A. ....	34
1. SEPARATE STATEMENT OF FINANCIAL POSITION OF ZAMET INDUSTRY S.A. ....	34
2. SEPARATE PROFIT AND LOSS OF ZAMET INDUSTRY S.A. ....	35
3. SEPARATE STATEMENT OF COMPREHENSIVE INCOME OF ZAMET INDUSTRY S.A. ....	35
4. SEPARATE CASH FLOW STATEMENT OF ZAMET INDUSTRY S.A. ....	36
5. SEPARATE STATEMENT OF CHANGES IN EQUITY OF ZAMET INDUSTRY S.A. ....	37
6. ADOPTED ACCOUNTING PRINCIPLES .....	38
7. CHANGES TO DATA PRESENTATION IN THE FINANCIAL STATEMENTS .....	38
8. INFORMATION ON WRITE-OFFS AND PROVISIONS.....	38
9. GRANTED GUARANTEES AND WARRANTIES AND CHANGES IN CONTINGENT LIABILITIES .....	38

SELECTED FINANCIAL DATA

Selected financial data Consolidated financial statement	in PLN thousand	in PLN thousand	in EURO thousand	in EURO thousand
	3 months	3 months	3 months	3 months
	ended March 31, 2017	ended March 31, 2016	ended March 31, 2017	ended March 31, 2016
Net revenue from sales, including:	52 715	70 132	12 290	16 100
- <i>continuing operations</i>	36 890	70 132	8 601	16 100
Net profit (loss) from activity, including:	14 308	1 256	3 336	288
- <i>net profit from continuing operations</i>	13 930	1 256	3 248	288
Operating net profit (loss), including:	-821	2 744	-191	630
- <i>profit (loss) from continuing operations</i>	-928	2 744	-216	630
Net profit (loss) attributable to shareholders of the parent company:	14 308	1 256	3 336	288
- <i>including from continuing operations</i>	13 930	1 256	3 248	288
Net operating cash flow	-1 236	39 718	-288	9 118
Net cash flow from investment activities	-78	-30 753	-18	-7 060
Cash flow from financial activity	-2 170	-6 521	-506	-1 497
Net cash flows total	-3 484	2 444	-812	561
Total assets(*)	304 003	329 838	72 042	74 557
Liabilities and provisions for liabilities (*)	124 484	223 658	29 500	50 556
Long-term liabilities (*)	14 824	41 946	3 513	9 481
Short-term liabilities (*)	72 831	127 347	17 259	28 785
Equity (*)	120 667	106 180	28 595	24 001
Equity attributable to shareholders of the parent company (*)	120 667	106 180	28 595	24 001
Share capital (*)	74 144	74 144	17 571	16 759
Number of shares	105 920 000	96 300 000	105 920 000	96 300 000
Net profit (loss) per one ordinary share (in PLN)	0.1351	0.0130	0.0315	0.0030
Diluted profit (loss) per ordinary share (in PLN )	0.1351	0.0130	0.0315	0.0030

(\*) Selected data concerning the separate and consolidated statements of financial position is presented as at March 31, 2017 and December 31, 2016.

Selected financial data presented in the statement was converted into euro in the following manner:

- items of the loss and profit statements and statement of cash flows for the first quarter of 2017 (respectively for the first quarter of 2016) were calculated by the arithmetic mean of average exchange rates published by the National Bank of Poland and valid as at the last day of each month. The course for the first quarter of 2017 amounted to 1 euro = 4.2891 PLN and respectively for the first quarter of 2016 was 1 euro = 4.3559 PLN
- balance sheet items converted according to the average exchange rate announced by the NBP and valid as at the balance sheet date. This rate was 1 euro = 4.2198 PLN as at March 31, 2017; 1 euro = 4.4240 PLN at December 31, 2016.

Selected financial data Separate financial statement	in PLN thousand	in PLN thousand	in EURO thousand	in EURO thousand
	3 months	3 months	3 months	3 months
	ended March 31, 2017	ended March 31, 2016	ended March 31, 2017	Ended March 31, 2016
Net revenue from sales	27 943	37 341	6 515	8 573
Net profit (loss)	14 468	1 975	3 373	453
Operating profit (loss)	-808	1 964	-188	451
Net profit (loss) attributable to shareholders of the parent company	14 468	1 975	3 373	453
Net operating cash flow	3 427	28 849	799	6 623
Net cash flow from investment activities	-242	-73 671	-57	-16 913
Cash flow from financial activity	-9 332	46 641	-2 176	10 707
Net cash flows total	-6 148	1 819	-1 433	418
Total assets(*)	214 215	245 276	50 764	55 442
Liabilities and provisions for liabilities (*)	92 486	138 069	21 917	31 209
Long-term liabilities (*)	14 472	41 380	3 430	9 354
Short-term liabilities (*)	50 543	67 581	11 978	15 276
Equity capital(*)	121 729	107 208	28 847	24 233
Equity attributable to shareholders of the parent company (*)	121 729	107 208	28 847	24 233
Share capital (*)	74 144	74 144	17 571	16 759
Number of shares	105 920 000	96 300 000	105 920 000	96 300 000
Net profit (loss) per one ordinary share (in PLN)	0.1366	0.0205	0.0318	0.0047
Diluted profit (loss) per ordinary share (in PLN )	0.1366	0.0205	0.0318	0.0047

(\*) Selected data concerning the separate and consolidated statements of financial position is presented as at March 31, 2017 and December 31, 2016.

Selected financial data presented in the statement was converted into euro in the following manner:

- items of the loss and profit statements and statement of cash flows for the first quarter of 2017 (respectively for the first quarter of 2016) were calculated by the arithmetic mean of average exchange rates published by the National Bank of Poland and valid as at the last day of each month. The course for the first quarter of 2017 amounted to 1 euro = 4.2891 PLN and respectively for the first quarter of 2016 was 1 euro = 4.3559 PLN
- balance sheet items converted according to the average exchange rate announced by the NBP and valid as at the balance sheet date. This rate was 1 euro = 4.2198 PLN as at March 31, 2017; 1 euro = 4.4240 PLN at December 31, 2016.

## INFORMATION ON THE ISSUER'S CAPITAL GROUP

### 1. DESCRIPTION OF THE ORGANIZATION OF THE CAPITAL GROUP

As at 31 March, 2017 Zamet Industry Capital Group was composed of:

- (a) **Zamet Industry S.A.** based in Piotrków Trybunalski (the parent company), registered in the register of entrepreneurs of the National Court Register by the District Court for Łódź-Śródmieście in Łódź, XX Division of the National Court Register, under KRS number 0000340251. "Mostostal Chojnice" plant in Chojnice, 4 Przemysłowa Street operates as part of the company not being a facility within the meaning of the Act on Freedom of Economic Activity of 2 July 2004 (Official Journal of 2004 No. 173, item. 1807, as amended).
- (b) **Zamet Budowa Maszyn S.A.** based in Tarnowskie Góry (subsidiary), registered in the register of the National Court Register by the District Court in Gliwice, X Commercial Division of the National Court Register, under KRS number 0000289560. A plant in Bytom, 1 Fabryczna Street, also operates within the company, which is based on the mechanical department of the former Huta Zygmunt S.A. not being a facility within the meaning of the Act on Freedom of Economic Activity of 2 July 2004 (Official Journal of 2004 No. 173, item. 1807, as amended). Zamet Industry S.A. holds 100% of the share capital of Zamet Budowa Maszyn S.A. which gives the same number of votes at the General Meeting of the company.
- (c) **Fugo Zamet Sp. z o.o.** (limited liability company) based in Konin (subsidiary) 85 Przemysłowa Street, NIP 6652996253, REGON 360069317, registered in the National Court Register by the District Court Poznań Nowe Miasto and Wilda, IX Commercial Division, under KRS number 0000528932. Zamet Industry S.A. holds 100% of shares in Fugo Zamet Sp. o.o. which gives the same number of votes at the General Meeting of the company.

The above-mentioned companies are included in this consolidated financial statement covering the period from January 01, 2017 to March 31, 2017. In comparative periods of the previous year, the same companies were subject to consolidation.

In connection with the decision taken by the Issuer's Management Board on February 16, 2017, to put the shares of Fugo Zamet Sp. z o.o. based in Konin on sale (about which the Issuer informed in Report no. 5/2017), and in connection with the conclusion on 3 April 2017 of the sales agreement of the shares of Konin company (as reported by the Issuer in Report No. 11/2017), the assets and liabilities of Fugo Zamet Sp. z o.o. are presented as held for sale (in accordance with IFRS 5) in the consolidated report of financial situation for the first quarter of 2017, and the results of Fugo Zamet Sp. z o.o. are presented as discontinued operations (in accordance with IFRS 5) in the consolidated profit and loss statement for the first quarter of 2017.

### 2. EFFECTS OF CHANGES IN THE CAPITAL GROUP STRUCTURE

No changes occurred in the Issuer's capital group structure within the period of January 1, 2017 to March 31, 2017, and after this period until issuing this statement. After the reporting period, the Issuer sold shares of Fugo Zamet sp. z o.o. to Famur Famak S.A. based in Kluczbork. Details of the transaction are described in the section "events after the reporting period"

### 3. THE COMPANY MANAGEMENT

#### Management (31 March 2017)

1. Tomasz Jakubowski, President
2. Artur Jeziorowski, Vice-President for Operations
3. Przemysław Milczarek, Vice-President for Finance
4. Krzysztof Walarowski, Vice-President for Commercial

During the period covered by this report, the following personal changes occurred in the Management Board of Zamet Industry S. A.

The Issuer's Supervisory Board adopted a resolution appointing Mr. Krzysztof Walarowski to the Issuer's Management Board on March 15, 2017 as Vice-President of the Management Board for Commercial. Mr. Krzysztof Walarowski has a university degree, graduated from the Faculty of Foreign Trade of the School of Planning and Statistics (now the Warsaw School of Economics). In his previous career, Mr. Krzysztof Walarowski was employed, among others as Head of Unit in FLT et Metaux SA, Belgium (1985-1989), Managing Director of S and I SA, Switzerland (1989-1991), Commercial Director and Member of the Management Board, Impexmetal SA (1991-1998), Member of the Management Board / Sales Director at Huta Ostrowiec SA (1999-2000), President of the Management Board / General Manager of Nordkalk Sp. z o.o. / Nordkalk Miedzianka S.A (2000-2004), Member of the Management Board / Sales Director in Złomrex SA (2004-2010), President of the Management Board / General Manager of Congor SA (2009-2011), President of the Management Board / CEO in Ferrostal Łabędy Sp. z o.o. (2012-2012), Alchemia SA Vice President / Sales Director (2013-2012), Polimex Mostostal SA Production Manager (2013-2016), President of Mostostal Siedlce Sp. z o.o. (2014-2016), Plenipotentiary of the Board for Trade and Construction in Huta Pokój SA (2016-2017). Mr. Krzysztof Walarowski has also served as Chairman of Supervisory Boards of companies from Złomrex / Congor Group as well as Huta Zawiercie SA, Hutmen SA, S and I SA, BrassCo. New York. Mr. Krzysztof Walarowski stated that he does not operate outside the Issuer's business, does not participate in a competitive company as a partner in a partnership, partnership, member of a governing body of a capital company or other competitive legal entity as a member of its body and does not appear in the Register of Insolvent Debtors Maintained under the National Court Register Act.

#### Supervisory Board (31 March 2017)

1. Tomasz Domogała, Chairman of the Supervisory Board
2. Beata Zawiszowska, Member of the Supervisory Board
3. Czesław Kisiel, Member of the Supervisory Board
4. Magdalena Zajączkowska-Ejsymont, Member of the Supervisory Board
5. Jacek Leonkiewicz, Member of the Supervisory Board

In the period covered by this report, there were no personal changes in the Supervisory Board of Zamet Industry S.A. After the end of the reporting period until the date of issuing this report, no changes occurred in the company's bodies.

#### 4. MAIN AREAS OF ACTIVITY

The Zamet Industry Capital Group operates on selected segments of the broadly defined market of large steel structures and machinery and equipment for industry, of which the most important are:

- (a) the offshore market, including equipment for drilling rigs, and equipment and components for subsea oil and gas production;
- (b) the market for machinery and equipment, including equipment and machines produced mainly for the energy sector, mining, metallurgy and steel industry,
- (c) the market for building structures including production of steel bridge structures and steel structures of buildings and constructions;
- (d) the market for port facilities, including mainly cranes and equipment for loading and unloading vessels.

The activity of Zamet Industry S.A. is focused on providing services in making structures and equipment in the offshore sector, (the company provides equipment for oil and gas from the seabed, marine equipment, port handling equipment, cranes) and in the mining and energy sector (the company offers bucket wheel excavators, loading-stackers, winding gear - cages, gigs, head pulleys, and equipment for the mechanical processing of mineral raw materials). Zamet Industry S.A. conducts mainly production and service activities based on the submitted documentation. The main activity of Mostostal Chojnice company, operating within Zamet Industry S.A., is production of large-scale steel components, mainly construction and bridges. Mostostal Chojnice produces steel constructions of industrial facilities, sports facilities and public buildings. Zamet Industry S.A. "Mostostal Chojnice" plant conducts mainly production and service activity based on the submitted documentation.

The activity of Zamet Budowa Maszyn S.A. is focused on design and production of equipment and machines used in various industries, including equipment and technological lines of fitted steelworks and rolling mills, and other devices that are used in steel and non-ferrous metals industry as well as metallurgical industries. Zamet Budowa Maszyn S.A. completes the offer by providing machining services. It operates on a design and production - service, fulfilling orders both on the basis of the documentation submitted, as well as based on their own solutions (equipment for the steel industry and metallurgy, hydraulic presses).

The activity of Fugo Zamet Sp. z o.o. is focused primarily on the manufacture of lifting and loading equipment, equipment for energy and surface mining sector and constructions produced for the needs of the offshore sector. Its offer is completed by the activity in producing equipment for other sectors of heavy industry, heavy welded structures, as well as services related to repairs and modernization of machines and equipment. The company conducts mainly production and service activity based on the submitted documentation.

## OWNERSHIP STRUCTURE

### 1. SIGNIFICANT BLOCKS OF SHARES

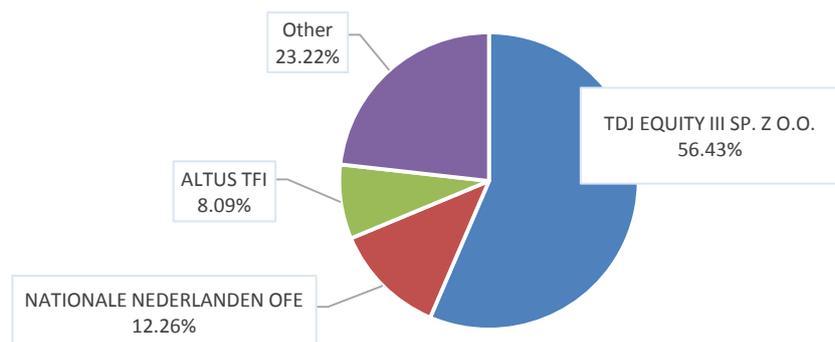
The share capital of the Zamet Industry S.A. amounts to 74,144,000.00 PLN and is divided into 105,920,000 ordinary bearer shares:

- (a) 32,428,500 ordinary bearer shares of A series numbered from 00,000,001 to 32,428,500;
- (b) 63,871,500 ordinary bearer shares of B series numbered from 00,000,001 to 63,871,500;
- (c) 9,620,000 ordinary bearer shares of C series numbered from 0,000,001 to 9,620,000;

One share entitles to one vote. The total number of votes at the General Meeting resulting from all issued shares is 105,920,000. Within the reporting period the Issuer did not receive any notices of changes in ownership of significant blocks of shares. To the knowledge of the Board, the structure of ownership of significant blocks of shares is as follows:

Shareholder	Number of shares / votes	Share in general number / votes	Number of shares / votes	Share in general number / votes
	As at the date of publication of the report for Q1 of 2017 (May 12, 2017)		As at the date of publication of the report for Q3 of 2016 (Nov 14, 2016)	
TDJ EQUITY III Sp. z o.o.	59 770 372	56.43%	59 770 372	56.43%
NATIONALE NEDERLANDEN OFE	12 984 007	12.26%	12 984 007	12.26%
ALTUS TFI S.A.	8 572 458	8.09%	8 572 458	8.09%
Other shareholders	24 593 163	23.22%	24 593 163	23.22%
<b>TOTAL</b>	<b>105 920 000</b>	<b>100.00 %</b>	<b>105 920 000</b>	<b>100.00 %</b>

#### SHAREHOLDER STRUCTURE ZAMET INDUSTRY SA MARCH 31, 2017



TDJ Equity III Sp. z o.o. is an entity directly dependent on TDJ S.A. company based in Katowice and is an indirect subsidiary of Mr. Tomasz Domogała - Chairman of the Supervisory Board. At the date of this report publication, Mr. Tomasz Domogała does not directly hold shares of the Issuer, and indirectly, through its subsidiaries, holds 59,770,372 shares of ordinary bearer of Zamet Industry S.A., which constitute 56.43% of share capital and give the right to 59,770,372 votes at the General Meeting, constituting 56.43% of the total number of votes. The Board is not aware of restrictions on the transfer of ownership of the shares or any other agreement that may lead to changes in the shareholding structure in the future.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF ZAMET INDUSTRY S.A.

1. CONSOLIDATED FINANCIAL STATEMENT - BALANCE

<b>Assets</b>	<b>March 31, 2017</b>	<b>Dec 31, 2016</b>
<b>Fixed assets</b>	<b>116 671</b>	<b>170 397</b>
Intangible assets	602	1 321
Tangible fixed assets:	100 585	150 804
Long-term receivables	328	328
Long-term investments	-	-
Deferred tax assets	15 156	17 943
Other long-term assets (accruals)	-	-
<b>Current assets</b>	<b>187 332</b>	<b>159 441</b>
Inventory	13 154	9 477
Trade receivables	65 880	131 179
Other short-term receivables	8 091	5 905
Cash and cash equivalents	6 910	10 526
Other current assets	3 536	2 155
Fixed assets classified as held for sale	89 761	197
<b>Total assets</b>	<b>304 003</b>	<b>329 838</b>

<b>Liabilities</b>	<b>March 31, 2017</b>	<b>Dec 31, 2016</b>
<b>Equity</b>	<b>120 667</b>	<b>106 180</b>
Share capital	74 144	74 144
Supplementary capital	132 872	132 872
Revaluation reserve	134	- 45
Other reserve capitals	5 290	5 290
Retained earning	- 91 773	- 106 081
Equity attributable to the shareholders of the parent company	120 667	106 180
Non-controlling interests	-	-
<b>Liabilities and provisions for liabilities</b>	<b>124 484</b>	<b>223 658</b>
Provisions for liabilities	36 795	53 608
Long-term credits and loans	14 401	41 309
Other long-term liabilities	423	637
Trade liabilities	19 258	32 720
Tax liabilities	2 568	8 811
Short-term credits and loans	34 329	37 662
Other short-term Liabilities	16 677	48 153
Other liabilities (accruals)	34	756
<b>Liabilities directly related to non-current assets classified as held for sale</b>	<b>58 852</b>	<b>-</b>
<b>Total liabilities</b>	<b>304 003</b>	<b>329 838</b>

## 2. CONSOLIDATED PROFIT AND LOSS STATEMENT

	3 months ended March 31,2017	3 months ended March 31,2016
<b>Continued operations</b>		
Net revenues from sales	36 890	70 132
Cost of products, goods and materials sold	34 168	59 661
<b>Gross profit on sales</b>	<b>2 722</b>	<b>10 471</b>
<i>Profitability [%]</i>	<i>7.38%</i>	<i>14.93%</i>
Other operating revenues	2 888	1 888
Selling costs	561	125
General and administrative costs	4 457	8 465
Other operating expenses	1 520	1 025
<b>Profit on operating activities</b>	<b>- 928</b>	<b>2 744</b>
<i>Profitability [%]</i>	<i>-2.52%</i>	<i>3.91%</i>
Financial revenues	19 612	1 095
Financial expenses	1 436	2 125
Profit (loss) on sale of all or part of shares in subordinated entities	-	-
<b>Gross profit</b>	<b>17 248</b>	<b>1 714</b>
<i>Profitability [%]</i>	<i>46.76%</i>	<i>2.44%</i>
Income tax	3 318	458
Net profit from continued operations	13 930	1 256
<b>Discontinued operations</b>	<b>378</b>	<b>-</b>
Net profit attributable to:		
shareholders of the parent company	14 308	1 256
non-controlling shareholders	-	-
<b>Net profit</b>	<b>14 308</b>	<b>1 256</b>
<i>Profitability [%]</i>	<i>38.79%</i>	<i>1.79%</i>
Number of shares (pcs)	105 920 000	96 300 000
Earnings per 1 share (in PLN)	0.1351	0.0130

## 3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Statement of comprehensive income	3 months ended March 31,2017 Thousands of PLN	3 months ended March 31,2016 Thousands of PLN
<b>Net (loss) profit</b>	14 308	1 256
<b>Other comprehensive income subject to reclassification to profit and loss:</b>	<b>-</b>	<b>284</b>
Valuation of hedging instruments	-	351
Income tax on components of other comprehensive income	-	- 67
<b>Other comprehensive income not subject to reclassification to profit and loss:</b>	<b>-</b>	<b>-</b>
Other income - actuarial gains/losses	-	-
Income tax on components of other comprehensive income	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>284</b>
<b>Total comprehensive income</b>	<b>14 308</b>	<b>1 540</b>
Attributable to shareholders of parent company	14 308	1 540
Attributable to non-controlling shareholders	-	-
Weighted average number of ordinary shares	105 920 000	96 300 000
Profit (loss) per ordinary share in PLN	0.14	0.01
Weighted average diluted number of ordinary shares	105 920 000	96 300 000
Diluted profit (loss) per ordinary share in PLN	0.14	0.01

#### 4. CONSOLIDATED CASH FLOW STATEMENT

	March 31,2017	3 months ended March 31, 2016
<b>Operating activities</b>		
Gross profit (loss)	17 248	1 713
<b>Adjustment total</b>	<b>- 18 484</b>	<b>38 005</b>
Excess of acquirer's interest in the subsidiary's net assets over the cost of business combination	-	-
Amortization and depreciation	2 707	3 347
(Profits) loss on accounts of foreign exchange	-	-2
Interest and shares in profits (dividends)	517	676
(Profit) loss on investment activity	- 20 171	- 2 184
Change in provisions	- 6 780	- 628
Change in inventory	- 4 944	- 1 959
Change in receivables	28 327	- 5 756
Change in short-term liabilities excluding credits and loans	- 16 172	48 295
Income tax paid	-	- 280
Change in accruals and prepayments	- 2 655	- 4 281
Other adjustments	687	777
<b>Net cash flows from operating activities</b>	<b>- 1 236</b>	<b>39 718</b>
<b>Investment activities</b>		
<b>Inflows</b>	<b>929</b>	<b>748</b>
Disposal of intangible and tangible fixed assets	929	748
From financial assets	-	-
<b>Outflows</b>	<b>1 007</b>	<b>31 501</b>
Purchase of intangible assets and tangible fixed assets	1 007	3 500
For financial assets	-	28 001
Other outflows from investment activities	-	-
<b>Net cash flows from investment activities</b>	<b>- 78</b>	<b>- 30 753</b>
<b>Financial activities</b>		
<b>Inflows</b>	<b>28 710</b>	<b>52 388</b>
Net inflows from issuance of shares and other capital instruments and from capital contributions	-	-
Credits and loans	28 710	52 388
Other inflows from financial activities	-	-
<b>Outflows</b>	<b>30 880</b>	<b>58 909</b>
Dividend and other payments to shareholders	-	-
Repayment of credits and loans	30 110	57 535
Payment of liabilities arising from financial leases	76	309
Interest	694	1 065
Other outflows from financial activities	-	-
<b>Net cash flows from financial activities</b>	<b>- 2 170</b>	<b>- 6 521</b>
<b>Total net cash flows</b>	<b>- 3 484</b>	<b>2 444</b>
Cash opening balance	10 395	711
Closing balance of cash	6 911	3 155

**5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital	Supplementary capital	Other reserve capitals	Revaluation reserve	Retained earnings	Equity attributable to non-controlling shareholders	Equity capital Total
	TPLN	TPLN	TPLN	TPLN	TPLN	TPLN	TPLN
<b>As at 1 January 2017</b>	74 144	132 872	5 290	-45	-106 081	0	106 180
Net profit (loss)	0	0	0	0	14 308	0	14 308
Other comprehensive income	0	0	0	179	0	0	179
<b>Total comprehensive income</b>	0	0	0	179	14 308	0	14 487
<b>As at 31 March 2017</b>	<b>74 144</b>	<b>132 872</b>	<b>5 290</b>	<b>135</b>	<b>-91 773</b>	<b>0</b>	<b>120 667</b>

	Share capital	Supplementary capital	Other reserve capitals	Revaluation reserve	Retained earnings	Equity attributable to non-controlling shareholders	Equity capital Total
	TPLN	TPLN	TPLN	TPLN	TPLN	TPLN	TPLN
<b>As at 1 January 2016</b>	67 410	95 313	5 290	-51	-13 690	0	154 272
Net profit (loss)	0	0	0	0	-77 078	0	-77 078
Other comprehensive income	0	0	0	6	162	0	168
<b>Total comprehensive income</b>	0	0	0	6	-76 916	0	-76 909
Transfer of profit to supplementary capital	0	15 819	0	0	-15 819	0	0
Loss coverage	0	-344	0	0	344	0	0
Issuance of shares	6 734	22 084	0	0	0	0	28 818
<b>As at 31 December 2016</b>	<b>74 144</b>	<b>132 872</b>	<b>5 290</b>	<b>-45</b>	<b>-106 081</b>	<b>0</b>	<b>106 180</b>

	Share capital	Supplementary capital	Other reserve capitals	Revaluation reserve	Retained earnings	Equity attributable to non-controlling shareholders	Equity capital Total
	TPLN	TPLN	TPLN	TPLN	TPLN	TPLN	TPLN
<b>As at 1 January 2016</b>	67 410	95 313	5 290	-51	-13 690	0	154 272
Net profit (loss)	0	0	0	0	1 256	0	1 255
Other comprehensive income	0	0	0	284	0	0	284
<b>Total comprehensive income</b>	0	0	0	284	1 256	0	1 540
<b>As at 31 March 2016</b>	<b>67 410</b>	<b>95 313</b>	<b>5 290</b>	<b>229</b>	<b>-12 430</b>	<b>0</b>	<b>155 812</b>

## 6. STATEMENTS AND CONTENT OF THE FINANCIAL STATEMENT

The consolidated quarterly report of the ZAMET INDUSTRY Capital Group includes:

- Consolidated condensed financial statements of the ZAMET INDUSTRY Group including: statement of financial position as at March 31, 2017, profit and loss statement together with the statement of comprehensive income for the period of January 1, 2017 to March 31, 2017, statement of changes in equity for the period of January 1, 2017 to March 31, 2017 and statement of cash flows for the period of January 1, 2017 to March 31, 2017
- Condensed financial statements of the ZAMET INDUSTRY Group including: statement of financial position as at March 31, 2017, profit and loss statement together with the statement of comprehensive income for the period of January 1, 2017 to March 31, 2017, statement of changes in equity for the period of January 1, 2017 to March 31, 2017 and statement of cash flows for the period of January 1, 2017 to March 31, 2017
- Comparative financial data respectively: in the case of balance sheet as at December 31, 2016, in the case of income statement and statement of comprehensive income for the period of January 1, 2016 to March 31, 2016, statement of changes in equity for the period of January 1, 2016 to March 31, 2016 and January 1, 2016 to December 31, 2016 and statement of cash flows for the period of January 1, 2016 to March 31, 2016.
- Information to the extent specified in the Regulation of the Minister of Finance dated 19 February 2009 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-member state as equivalent (Official Journal from 2014 item 133).

The parent company (ZAMET INDUSTRY S.A.) pursuant to § 83 subpar. 1 of this Regulation does not provide a separate non-consolidated quarterly report. The consolidated quarterly report includes the quarterly financial information referred to in § 83 subparagraph 1 of the Regulation.

### Statement of compliance

Consolidated quarterly report was prepared using uniform accounting principles with regard to similar transactions and other events occurring in similar circumstances. The consolidated financial statement is prepared under the historical cost convention, except for the financial instruments that the Group stated at fair value.

## 7. ADOPTED ACCOUNTING PRINCIPLES

The financial statements of ZAMET INDUSTRY Capital Group are prepared in accordance with the International Financial Reporting Standards. In particular, this report has been prepared on the basis of the scope defined in IAS 34 "Interim Financial Reporting", and in the scope not regulated by the IFRS in accordance with the requirements of the Accounting Act and in accordance with the requirements of the Regulation of the Minister of Finance dated 19 February 2009 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-member state as equivalent (Official Journal from 2014 item 133 as amended).

## 8. CHANGES TO DATA PRESENTATION IN THE FINANCIAL STATEMENTS

No changes occurred in the presentation of data in the financial statements.

## 9. INFORMATION CONCERNING REVALUATION WRITE-OFFS AND PROVISIONS

Capital Group	March 31, 2017	change	Dec 31, 2016
Long-term provisions for retirement and other similar benefits	7 584	-894	8 478
Short-term provisions for retirement and other similar benefits	2 840	-788	3 628
Other long-term provisions	1 450	-851	2 301
Other short-term provisions	10 665	-13 224	23 889
Revaluation write-offs on receivables	9 011	19	8 992
Revaluation write-offs on stocks	1 935	-872	2 806
Revaluation write-offs on tangible assets and intangible assets	13 632	0	13 632
Deferred income tax assets	15 156	-2 787	17 943
Deferred income tax provision	14 256	-1 056	15 312

## 10. DESCRIPTION OF THE MOST IMPORTANT EVENTS IN THE REPORTING PERIOD

In response to changing market conditions and a slowdown in the individual segments in which companies of the Group operate, in the first quarter of this year the Board of Zamet Industry S.A. continued optimization measures aimed at a thorough reorganization of the cost base of the parent company and its subsidiaries. The fundamental premise of any reorganization measures undertaken within the group is to provide high operating efficiency at low operating costs. Adapting the organization in this way allows to assume that the Zamet Industry Group may be one of the leaders in the industry in times of changing market situation.

Working towards improvement of processes and improving the efficiency of manufacturing operations and thus increasing the competitiveness of the Zamet Industry Group applies to all companies within the group. In the reporting period, the Board of Zamet Industry S.A. continued the large-scale program of transformation of organizational structures of the companies within the Group and optimization implemented in the framework of their business processes. The aim is to adapt the organization to the ability in order to flexibly respond to customer needs and changing market environment. As part of the activities undertaken initiatives are implemented to allow for effective project management through appointing and appropriately authorizing teams of managers dedicated to project management, improvement of organizational culture based on the principles of lean management, and implementation of actions and modern instruments improving the quality and effectiveness of planning and monitoring production processes.

On February 15, 2017, the Board of Zamet Industry S.A. with its registered office in Piotrków Trybunalski (hereinafter referred to as "the Issuer") received from Famur Famak S.A. based in Kluczbork (hereinafter referred to as "Famak") an initial offer to acquire 100% of shares of Fugo Zamet sp. z o.o. based in Konin (hereinafter referred to as "Fugo"). In the offer Famak indicated that because of the good assessment of the prospects of the market in which it operates and thus the need for additional production capacity, it is interested in taking over the Konin facility, which has the appropriate machinery park and the competences that fit into its production profile (i.e. the production of reloading machines and machinery and equipment used in the opencast mining sector). At the same time Famak pointed out that it was interested in retaining the production capacity and in further development of the Konin plant after adjusting it to the requirements of its production. In the offer Famak initially estimated the value of 100% of Fugo's shares, giving the same amount of votes in the company's Shareholders' Meeting, for a value ranging from PLN 12 million to PLN 15 million. Considering the above offer, and also in the light of the restructuring activities carried out in the Zamet Group capital group and stated in the current report no. 31/2016 and in the periodic report for the third quarter of 2016, on February 15, 2017 the Issuer's Management Board took a strategic decision to allocate Fugo's shares for sale and begin the process of searching for the best bid for the purchase of the indicated asset, both from the

Issuer's point of view as well as taking into account the interest of Fugo Zamet Sp. z o.o. The decision of the Issuer's Management Board was motivated primarily by the need to adjust the scale of activity to the current market situation, resulting mainly from a significant investment slowdown in the Oil & Gas segment. Due to the above circumstances, and due to the significant change in the market situation in relation to the period during which the Issuer acquired shares of Fugo,, the Management Board of the Issuer decided to submit to TDJ Equity III Sp. z o.o. (the entity from which it originally acquired the shares) a proposal to initiate discussions on the price reduction for acquiring Fugo's shares by the Issuer.

On February 17, 2017 an agreement was signed between TDJ EQUITY III Sp. z o.o. and Zamet Industry S.A. under which, the price for Fugo's shares was reduced by PLN 17,140,000.00 down to PLN 28,860,000.00. Taking into account the significant change in the market environment in relation to the period in which the Issuer purchased from the Seller the shares of Fugo Zamet Sp. z o.o. based in Konin, in particular the slowdown in the Oil & Gas sector, the parties modified the provisions of the Share Sale Agreement dated January 27, 2016, in such a way that they agreed to lower the purchase price of Fugo Zamet sp. z o.o. from PLN 46,000,000.00 (forty six million zloty) to PLN 28,860,000.00 (twenty eight million eight hundred sixty thousand zloty) for all shares. At the same time, the Issuer declares that in the light of the decrease in the price of Fugo Zamet sp. z o.o., the entire purchase price has already been paid from the resources from the share issue conducted pursuant to the resolution of the Management Board dated 27 January 2016. Thus, under § 6 (6) of the Issuer's Articles of Association, the Management Board is no longer authorized to issue further shares within the target capital, the amount of which is specified in § 6 (4) of the Issuer's Articles of Association, as it already acquired, within the above mentioned issue, the entire funds to finance the acquisition of shares of Fugo Zamet Sp. z o.o.

The contract of sale of shares of Fugo Zamet Sp. z o.o. between Zamet Industry S.A. (Seller) and Famur Famak S.A. (Buyer) was concluded on April 3, 2017. Shares were sold for PLN 14,000,000.00. The price was paid on April 3, 2017.

## **11. FACTORS AND EVENTS AFFECTING THE RESULTS**

A significant influence on the consolidated and individual net result of Zamet Industry S. A., for the period of January 1, 2017 to March 31, 2017, had:

- a) redemption of the liability of PLN 17,140,000.00 resulting from the reduction of the purchase price of the shares of Fugo Zamet Sp. z o.o. The price reduction took place on February 17, 2017, by an agreement between TDJ EQUITY III Sp. z o.o. (Seller) and Zamet Industry S.A. (Buyer) about which the Issuer reported in report No. 6/2017. The above event affected the individual and consolidated net result of PLN 13,883,000.00 (PLN 17.14 million minus income tax). The details of the agreement in question are set out in section 10 above. The liability redemption in the amount mentioned was recognized as financial income during the reporting period. The income tax was included in the "income tax" item.

There were no other non-typical or unusual events. The presented results are the result of the current operating activity of the parent and subordinate entities of the capital group.

### **SALE**

In the reporting period, in the consolidated financial statement the activity of Fugo Zamet Sp. z o.o. was reclassified as discontinued activity as a result of a decision on February 16, 2017 by the Issuer's Management Board to sell the shares of Fugo Zamet Sp. z o.o. based in Konin (about which the Issuer reported in Report no.

5/2017) and in connection with the conclusion on 3 April 2017 of the sale of shares in the Konin company (as reported by the Issuer in Report No. 11/2017).

<b>Consolidated financial statement (capital group)</b>	<b>Q1 2017</b>	<b>change</b>	<b>Q1 2016</b>
Net revenue from sales, including:	52 715	-17 417	70 132
- from continuing operations	36 890	-33 242	70 132

<b>Individual financial statement (Zamet Industry S.A.)</b>	<b>Q1 2017</b>	<b>change</b>	<b>Q1 2016</b>
Net revenue from sales, including:	27 943	-9 398	37 341
- from continuing operations	27 943	-9 398	37 341

Revenues from sales, individual and consolidated revenues are influenced by a number of external factors resulting from the market environment, the most important of which are:

- The slowdown in the oil & gas sector, related to low oil and gas prices on the world markets; decline in energy fuels prices, especially oil, affects the activity of the Zamet Industry Group and the financial results. Long-term persistence of prices of these raw materials on world markets at a level significantly lower than the average level of oil prices in recent years may negatively affect the development of investment and production, which in turn could adversely influence the number of contracts implemented by the Zamet Industry Group in the dominant business segment of machines for oil and gas market and thus the financial results. These trends translate into a negative impact on the number and scale of mining projects throughout the world in the sectors related to the submarine exploitation of oil and natural gas, which in turn affects the activity of Zamet Industry having an impact on both the amount of revenue recorded in the key offshore segment, but also contributing to a decrease in viability of the segment. The condition of oil & gas industry directly affects the prospects of development of the machines and equipment market for the offshore sector (devices for drilling rigs, equipment for underwater oil and gas mining, lifting equipment and winches). The situation in this segment depends mainly on investment in work related to the exploration and exploitation of offshore oil and gas. The potential of this market results from the global economic demand for oil and gas, shrinking energy reserves on land and the need to use resources located under the seabed. The risk of reduced investor activity and growth of the offshore market is associated with the risk of prices of energy resources such as oil and natural gas. Offshore oil and gas mining is concentrated in a few regions of the world which among others include the shelf area of the North Sea. Norwegian companies have a key position in the region. The Zamet Industry Group co-works to a significant extent with suppliers of these companies, which is reflected in export directions. The downturn in the offshore market for the Zamet Industry Capital Group is associated with a reduction in the number of orders from clients in Norway and may indicate worsening financial results. It should be noted that the level of investment in the offshore industry is reflected in the Group's results with a time lag associated with, among others, the length of the production cycle of the equipment manufactured by Zamet. It should also be noted that the slowdown in investment in the oil & gas sector, indirectly affects the profitability of projects in related industries. This is because offers of a great deal of manufacturers of steel structures operating in the territory of Poland and the EU are to a lesser or greater extent addressed to the Scandinavian or British recipients of the offshore industry. During a substantial reduction in investment in this sector, companies searching for new orders are likely to intense price competition. Because of the economic downturn in the sector related to the underwater extraction and oil and gas fields exploitation, in relation to the historical data published in previous years, a decrease in revenues from this segment can be observed in the consolidated statement of Zamet Industry S.A. for the period January 1, 2017 to December 31, 2017, which in the first quarter of 2017 amounted to PLN 12.4 million compared to PLN 25.6 million in the comparative period.

- The situation in the steel sector, which is closely linked to the level of investments made by customers of the subsidiary Zamet Budowa Maszyn S.A. in the segment of machinery for the steel and non-ferrous metals, translates into the results achieved by this company and its consolidated results.
- The situation in the lifting and handling equipment sector, which significantly influences the number of Fugo Zamet Sp. o.o. orders
- The situation in other segments of the market in which the capital group companies operate, including the lifting and transshipment industry, in the mining and energy sectors in the domestic market, which is related to the level of investments by energy companies (development of investments in the energy sector has an impact on the number of orders executed by Zamet Industry S.A. in this business segment).
- The prices of raw materials necessary for the production of machinery and equipment manufactured by the Zamet Group, and the prices of steel in particular. The Company hedges the risk associated with unfavorable changes in the prices of raw materials on the basis of the contractual provisions of the possibility of price indexation in case of essential changes in the prices of raw materials. The unfavorable change in the prices of raw materials in the context of the exchange rate risk is hedged, among others, by natural hedging.
- The demand for investment goods and related financial and investment policy of Polish and foreign customers specializing in machines and equipment manufactured by the Group companies, which the primary amount of expenditure incurred on repairs, modernization and purchase of new equipment and spare parts depend on.

## **OPERATIONAL RESULT**

<b>Consolidated financial statement (capital group)</b>	<b>1Q 2017</b>	<b>change</b>	<b>1Q 2016</b>
Net revenues from continuing operations	36 890	-33 242	70 132
Cost of products, goods and materials sold	34 168	-25 493	59 661
<b>Gross profit on sales</b>	<b>2 722</b>	<b>-7 749</b>	<b>10 471</b>
Other operating revenues	2 888	1 000	1 888
Cost of sales	561	436	125
Administrative costs	4 457	-4 008	8 465
Other operating expenses	1 520	495	1 025
<b>Profit on operating activities</b>	<b>- 928</b>	<b>-3 672</b>	<b>2 744</b>

<b>Individual financial statement (Zamet Industry S.A.)</b>	<b>1Q 2017</b>	<b>change</b>	<b>1Q 2016</b>
Net revenues from sales	27 943	-9 398	37 341
Cost of products, goods and materials sold	26 066	-6 040	32 107
<b>Gross profit on sales</b>	<b>1 877</b>	<b>-3 358</b>	<b>5 235</b>
Other operating revenues	1 576	127	1 449
Cost of sales	326	288	37
Administrative costs	3 026	-1 131	4 158
Other operating expenses	908	384	524
<b>Profit on operating activities</b>	<b>-808</b>	<b>-2 772</b>	<b>1 964</b>

In the consolidated profit and loss statement, the reported operating result relates to continuing operations. The result of Fugo Zamet Sp. z o.o. is not recognized at this level of the income statement because of the reclassification of this asset to the "discontinued operations" item.

The amount of sales revenue and the gross result on sales had the key impact on the results at the operating level. Costs of general management constitute a significant cost item, but they are optimized by the actions undertaken.

Other operating costs and revenues mainly relate to the provisioning and releasing the provisions related to the current operating activities.

## **NET RESULT**

<b>Consolidated financial statement (capital group)</b>	<b>1Q 2017</b>	<b>change</b>	<b>1Q 2016</b>
Financial revenues	19 612	18 517	1 095
Financial expenses	1 436	-689	2 125
<b>Gross profit</b>	<b>17 248</b>	<b>15 534</b>	<b>1 714</b>
Income tax	3 318	2 860	458
<b>Net profit</b>	<b>14 308</b>	<b>13 052</b>	<b>1 256</b>

<b>Individual financial statement (Zamet Industry S.A.)</b>	<b>1Q 2017</b>	<b>change</b>	<b>1Q 2016</b>
Financial revenues	19 878	18 355	1 524
Financial expenses	1 199	138	1 061
<b>Gross profit</b>	<b>17 872</b>	<b>15 445</b>	<b>2 427</b>
Income tax	3 403	2 951	452
<b>Net profit</b>	<b>14 468</b>	<b>12 493</b>	<b>1 975</b>

The recorded result of the operating activity in this period had an impact on the consolidated and individual net result for the first quarter of 2017, in addition, the liability redemption of PLN 17,140,000.00 resulting from the reduction of the purchase price by the Issuer of the shares of Fugo Zamet Sp. z o.o. also had a significant effect on the result at this level. The price reduction took place on 17 February 2017, by the agreement between TDJ EQUITY III Sp. z o.o. (Seller) and Zamet Industry S.A. (Buyer) about which the Issuer reported in Report No. 6/2017. The above event affected the individual and consolidated net result of PLN 13,883,000.00 (PLN 17.14 million minus income tax). The details of the agreement in question are set out in section 10 above. The liability redemption in the amount mentioned was recognized as financial income during the reporting period. The tax on that income is included in the "income tax" item. Financial expenses item mainly includes interest on credits loans, loans, leasing and valuation of financial instruments (FX).

## **DEBT AND CASH**

The balance of short- and long-term liabilities from loans and credits as well as short-term investments is presented below.

<b>Consolidated financial statement (capital group)</b>	<b>March 31, 2017</b>	<b>change</b>	<b>March 31, 2016</b>
Long-term credit and loans	14 401	-26 908	41 309
Short-term credit and loans	34 329	-3 333	37 662
Cash and cash equivalents	6 910	-3 616	10 526

<b>Individual financial statement (Zamet Industry S.A.)</b>	<b>1Q 2017</b>	<b>change</b>	<b>1Q 2016</b>
Long-term credit and loans	14 401	-26 908	41 309
Short-term credit and loans	23 168	17 939	5 230
Cash and cash equivalents	1 687	-6 148	7 835

Long-term and short-term credits included in the consolidated financial statements are at a level of 39% of the capital group's equity. The debt ratio of the capital group equals 39.9%; the overall debt of the parent company as at March 31, 2017 equals 41.7 %. Indicators characterizing selected economic values are presented below.

**Indicators concerning the capital group**

		March 31, 2017	March 31, 2016
General liquidity ratio	Current asset / short-term liabilities	2.57	1.31
Debt ratio	Borrowed capital / total assets	40.9%	67.8%
Operating margin	Gross profit on sales / net revenues from sales	7.38%	14.93%
Net profitability ratio	Net profit / net revenues from sales	38.79%	1.79%

**Indicators concerning the parent company**

		March 31, 2017	March 31, 2016
General liquidity ratio	Current asset / short-term liabilities	1.90	1.60
Debt ratio	Borrowed capital / total assets	43.2%	46.2%
Operating margin	Gross profit on sales/ net revenues from sales	7%	14%
Net profitability ratio	Net profit / net revenues from sales	51.8%	5.3%

## 12. BUSINESS AND GEOGRAPHICAL SEGMENTS

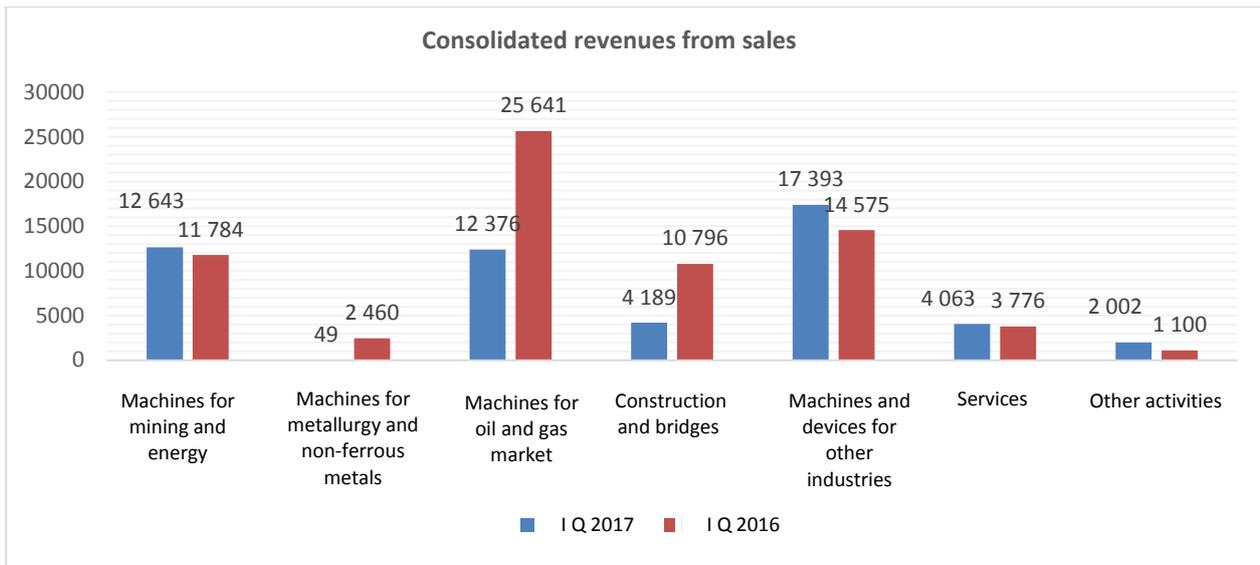
For management purposes, the capital group was divided into parts according to the manufactured products and offered services. Therefore, there are the following operating segments:

- Segment A [plant in Piotrków Tryb.] – deals with manufacturing of structures and equipment in the offshore sector and for the mining and energy markets;
- Segment B [plant in Chojnice] – deals with manufacturing of large-scale steel structures, mainly for construction and bridges;
- Segment C [Plant in Tarnowskie Góry] – deals with manufacturing and servicing of machinery and equipment for metallurgy and other spare parts;
- Segment D [plant in Konin] – deals with manufacturing of structures for crane, transshipment and transport infrastructure;

None of the company's operating segments has been merged with another segment to create reporting segments. The Management separately monitors operating performance of segments to make decisions about resource allocation, assessment of the allocation and performance results. The basis for performance assessing is profit or loss on operating activities. Group financing (including costs and financial income) and income tax are monitored at the group level and there is no allocation to segments. The reported revenue was obtained from external customers. There is no revenue from transactions with other operating segments.

	CONTINUING OPERATIONS				DISCONTINUED OPERATIONS	TOTAL ACTIVITY
	Segment A [plant in Piotrków Tryb.]	Segment B [plant in Chojnice]	Segment C [plant in Tarnowskie Góry]	TOTAL continuing operations	Segment D [plant in Konin]	
Revenues from sales	12 619	15 297	8 974	36 890	15 825	52 715
Selling costs	10 927	14 310	8 931	34 168	14 507	48 675
Gross result on sales	1 692	987	43	2 722	1 318	4 040
[%]	13.4%	6.5%	0.5%	7.4%	8.3%	7.7%
Administrative and sale costs	2 117	1 235	1 666	5 018	1 906	6 924
Result on sales	-425	-248	-1 623	-2 296	-588	-2 884
[%]	-3.4%	-1.6%	-18.1%	-6.2%	-3.7%	-5.5%
Result on other revenues and operational costs	291	376	700	1 368	695	2 063
<b>Profit/loss on operational activity</b>	<b>-134</b>	<b>128</b>	<b>-923</b>	<b>-928</b>	<b>107</b>	<b>-821</b>
Financial revenues				19 612	1 009	20 621
Financial expenses				1 436	698	2 134
<b>Profit/loss on business activity</b>				<b>17 248</b>	<b>418</b>	<b>17 666</b>
<b>Gross profit /loss</b>				<b>17 248</b>	<b>418</b>	<b>17 666</b>
Income tax				3 318	40	3 358
<b>Net profit/loss</b>				<b>13 930</b>	<b>378</b>	<b>14 308</b>
for shareholders of the parent company				13 930	378	14 308
Segments' assets	57 407	96 112	60 724	214 242	89 761	304 003
Segments' liabilities	46 623	45 604	32 257	124 484	58 852	183 336

Jan - March 2016 (converted)	Segment A [plant in Piotrków Tryb.]	Segment B [plant in Chojnice]	Segment C [plant in Tarnowskie Góry]	Segment D [plant in Konin]	Total
Revenue from sales	20 270	17 028	13 001	19 833	70 132
Selling costs	14 799	15 967	11 830	17 065	59 661
Gross result on sales	5 471	1 061	1 171	2 768	10 471
%	27.0%	6.2%	9.0%	14.0%	14.9%
Administrative and sale costs	2 464	1 731	2 233	2 162	8 590
Result on sales	3 007	-670	-1 062	606	1 881
Result on other revenues and operational costs	931	-6	177	-239	863
<b>Profit/loss on operational activity</b>	<b>3 938</b>	<b>-676</b>	<b>-885</b>	<b>367</b>	<b>2 744</b>
Financial revenues					1 095
Financial expenses					2 125
<b>Profit/loss on business activity</b>					<b>1 714</b>
<b>Gross profit /loss</b>					<b>1 714</b>
Income tax					458
<b>Net profit/loss</b>					<b>1 256</b>
for shareholders of the parent company					1 256
Segments' assets	120 033	75 392	86 305	105 647	387 377
Segments' liabilities	70 879	83 484	32 904	44 298	231 565



Export sales revenues in the first quarter of 2017 accounted for 64 percent of all revenues from sales of the capital group and amounted to PLN 33.48 million (continuing operations). Domestic sales generated revenues of PLN 19.23 million. The European countries are the main external markets.

The recipients of structures manufactured by Zamet Industry for offshore industry are primarily foreign contractors (Norway, UK) - the largest global suppliers of equipment for the underwater oil and gas sector, including Aker Solutions, GE Oil & Gas. The recipients of machinery and equipment manufactured by Zamet Industry in the reloading and lifting equipment industry are domestic and foreign contractors for which the Company mainly delivers reloading facilities, including port facilities for material handling as well as cranes and overhead cranes. Significant customers of this segment are large global companies operating in the material handling industry, including ThyssenKrupp, Cargotec, and Konecranes. The recipients of Zamet Industry's machinery and equipment for mining and power generation are primarily domestic contractors: mines, power plants and heat and power plants, as well as contractors supplying for the above-mentioned, and for which Zamet Industry may be the subcontractor of the equipment. Recipients and prospective customers of structures by Zamet Industry for construction and bridge construction businesses include both domestic and foreign contractors, both investors and general contractors for which Zamet Industry supplies steel structures. This applies in particular to road construction (steel bridges), general and industrial construction (steel structures for industrial buildings, sports facilities, roofs, etc.). Machines and equipment produced by Zamet Industry group for metallurgy and steel industry are purchased by domestic and foreign contractors which are supplied by Zamet Budowa Maszyn SA with solutions in the field of foundry lines, technological lines of foundries, hydraulic presses, including steelworks, foundries and metal processing plants. The segmentation of revenues by geographic direction for the first quarter of 2017 and the comparative period is presented below.

Geographical structure of sales	1Q 2017	1Q 2016	Sales dynamics
Poland	19 235	31 195	-38.3%
Russia and CIS	1 447	1 379	4.9%
European Union	20 151	14 409	39.9%
Other European countries	11 882	23 148	-48.7%
Other (America, Asia, Africa, Australia)	-	-	-
<b>Total</b>	<b>52 715</b>	<b>70 132</b>	<b>-24.8%</b>
Total export	33 480	38 937	-14.0%
Export [%]	64 %	56 %	
Poland	19 235	31 195	-38.3%
Poland [%]	36 %	44 %	

### 13. INFORMATION ON SEASONAL AND CYCLICAL NATURE OF BUSINESS

Seasonal and cyclical nature of business is not observed within the activities of the Group. However, the nature of the large machines production cycle should be emphasized, which - depending on the type of construction - can range from 3 months to 2 years.

### 14. TRANSACTION WITH AFFILIATES

On February 17, 2017 an agreement was signed between TDJ EQUITY III Sp. z o.o. and Zamet Industry S.A. under which, the price for Fugo's shares was reduced by PLN 17,140,000.00 down to PLN 28,860,000.00. Taking into account the significant change in the market environment in relation to the period in which the Issuer purchased from the Seller the shares of Fugo Zamet Sp. z o.o. based in Konin, in particular the slowdown in the Oil & Gas sector, the parties modified the provisions of the Share Sale Agreement dated January 27, 2016, in such a way that they agreed to lower the purchase price of Fugo Zamet sp. z o.o. from PLN 46,000,000.00 (forty six million zloty) to PLN 28,860,000.00 (twenty eight million eight hundred sixty thousand zloty) for all shares. At the same time, the Issuer declares that in the light of the decrease in the price of Fugo Zamet sp. z o.o., the entire purchase price has already been paid from the resources from the share issue conducted pursuant to the resolution of the Management Board dated 27 January 2016. Thus, under § 6 (6) of the Issuer's Articles of Association, the Management Board is no longer authorized to issue further shares within the target capital, the amount of which is specified in § 6 (4) of the Issuer's Articles of Association, as it already acquired, within the above mentioned issue, the entire funds to finance the acquisition of shares of Fugo Zamet Sp. z o.o.

After the reporting period, Zamet Industry S.A. (Seller) and Famur Famak S.A. based in Kluczbork (Buyer), a company affiliated to the issuer, so that both entities are indirectly controlled by TDJ S.A. and Mr. Tomasz Domogała, concluded an contract of sale of Fugo Zamet Sp. z o.o. shares dated April 3, 2017. Shares were sold for PLN 14,000,000.00. The price was paid on April 3, 2017. In the offer Famak indicated that because of the good assessment of the prospects of the market in which it operates and thus the need for additional production capacity, it is interested in taking over the Konin facility, which has the appropriate machinery park and the competences that fit into its production profile (i.e. the production of reloading machines and machinery and equipment used in the opencast mining sector). At the same time Famak pointed out that it was interested in retaining the production capacity and in further development of the Konin plant after adjusting it to the requirements of its production. The decision of the Issuer's Management Board was motivated primarily by the need to adjust the scale of activity to the current market situation, resulting mainly from a significant investment slowdown in the Oil & Gas segment.

In addition to the abovementioned events, no other significant transactions occurred during the period from 1 January to 31 March 2017, which would be unusual or would have been concluded under non-market conditions. All transactions between affiliated entities are typical transactions related to the business conducted by individual entities and are concluded on market terms.

## 15. CREDITS AND LOANS

The balance of liabilities arising from loans and borrowings as at March 31, 2017 is presented below.

### Bank loans (short-term)

Continuing operations	company	Amount taken (T.PLN)	Due to	Balance at March 31, 2017 (T.PLN)	Interest rate conditions
Raiffeisen Bank Polska SA	Zamet Industry	15 000	2018-10-31	1 004	WIBOR + margin
Credit Agricole Bank Polska SA	Zamet Industry	25 000	2018-10-31	14 557	WIBOR + margin
mBank S.A.	Zamet Industry	10 000	2019-10-31	2 377	WIBOR + margin
mBank S.A.(investment)	Zamet Industry	6 538	2019-10-31	5 230	WIBOR + margin
Raiffeisen Bank Polska SA	Zamet BM	10 000	2018-10-31	5 495	WIBOR + margin
mBank SA	Zamet BM	10 000	2019-10-31	5 665	WIBOR + margin
				<b>34 328</b>	
Discontinued operations					
MILLENIUM BANK	Fugo Zamet	10 000	2018-02-24	7 815	WIBOR + margin
BGŻ BNP PARIBAS	Fugo Zamet	15 000	2019-03-19	13 249	WIBOR + margin
mBank S.A.	Fugo Zamet	8 370	2019-10-31	6 534	WIBOR + margin
mBank S.A.	Fugo Zamet	1 500	2018-02-27	1 243	WIBOR + margin
				<b>28 841</b>	

### Bank loans (long-term)

Continuing operations	company	Amount taken (T.PLN)	Due to	Balance at March 31, 2017 (T.PLN)	Interest rate conditions
mBank S.A. (multipurpose)	Zamet Industry	60 000	2019-10-31	14 400	WIBOR + margin

In the reporting period, the Group companies did not take nor grant any loans. Within the loan agreements the following changes occurred:

On January 18, 2017, Zamet Industry SA granted an aval to the framework agreement no. 03/005/17/Z/PX dated 18 January 2017 signed between mBank SA in Warsaw and Fugo Zamet Sp. z o.o. in the amount of PLN 10,000,000.00. The aval was released on the basis of the annex no. 1 of 3 April 2017 concluded between Fugo Zamet Sp. z o.o. and mBank SA.

On February 3, 2017 Zamet Industry SA signed annex no. 2 to the cooperation agreement 03/14/15/Z/PX concluded with mBank SA in the scope of: changes in the limit structure - reduction of the limit for an open-end credit from PLN 60,000,000.00 up to the amount of PLN 40,000,000.00 and its change for a non-revolving loan and introduction of a contract provision stating that the breach of contractual covenants in the period up to December 31, 2017 will not terminate the agreement nor cause penalties to the Borrower provided for in the contract.

On February 3, 2017 Zamet Industry SA concluded annex No. 2 to the cooperation agreement 03/007/14/Z/PX with mBank SA in the scope of: (i) extending the loan period to October 31, 2019 and (ii) introducing a statutory

provision into the contract that the breach of contractual covenants in the period up to December 31, 2017 will not cause the termination of the agreement and penalties to the Borrower provided for in the contract.

On February 3, 2017 Zamet Industry SA concluded annex No. 13 to debt limit contract CRD/L/29911/09 with Raiffeisen Bank Polska SA in the scope of: (i) introduction of additional collateral for real property in Tarnowskie Góry, 83 Zagórska Street - a mortgage up to the amount of PLN 49,500,000.00, (ii) introducing a statutory provision into the contract that the breach of contractual covenants per data after the fourth quarter of 2016 and after the first and second quarter of 2017 will not result in any penalties to the Borrower, and (iii) changes in the structure of working capital limits - PLN 15,000,000.00 - overdraft facility, PLN 5,000,000.00 - loan for the contract.

On February 28, 2017 the company signed annex no. 3 to the cooperation agreement 03/14/15/Z/PX concluded with mBank SA in the scope of: (i) reduction of the contract limit from PLN 60,000,000.00 to PLN 50,000,000.00 PLN, (ii) repayment of a non-revolving working capital loan up to PLN 14,400,000.00; and (iii) decollateralisation of the mortgaged property in Konin, 85 Przemysłowa Street to the amount of PLN 90,000,000.00

On March 24, 2017 the company obtained the consent of the bank by annex no. A3/9145/15/M/04 dated March 24, 2017 concluded between Bank Millennium SA and Fugo Zamet Sp. z o.o. in order to exempt Zamet Industry SA from the civil guarantee granted for the obligations of Fugo Zamet Sp. z o.o. resulting from the aforementioned multi-product line contract. Conditional consent depended on effective guarantee by Famur Famak SA. The conditions fulfilled on April 6, 2017 (details below).

On March 28, 2017 the company signed annex No. 2 with Bank BGŻ BNP Paribas SA to the Multi-purpose credit line No. WAR/2321/16/58/CB, pursuant to which the Bank declares Zamet Industry SA to be exempted from the credit debt provided that it is effectively granted guarantee by Famur Famak SA. The condition fulfilled on April 3, 2017 (details below).

On April 3, 2017, a contract of sale of shares of Fugo Zamet Sp. z o.o. was concluded between Zamet Industry S.A. (Seller) and Famur Famak S.A. (Buyer). The shares were sold for PLN 14,000,000.00 The price was paid on April 3, 2017. The parties to the Share Sale Agreement, having regard to the acquisition of control by Famur Famak S.A. over Fugo Zamet Sp. z o.o., also concluded an agreement with which Famur Famak pledged to release Zamet Industry of the following obligations of the Issuer:

- a) a contingent liability under the surety granted by the Issuer for the obligations of Fugo Zamet Sp. z o.o. in connection with the multi-product line agreement No. 9145/15/M/04 dated 25 February 2016 concluded between Fugo Zamet ("the Borrower") and Bank Millennium S.A. ("Bank"). Zamet Industry granted the surety for the Borrower's obligations up to PLN 16,500,000.00 (sixteen million five hundred thousand zlotys) with a due date of July 27, 2023, including an obligation to pay the debt owed to the Bank by the Borrower for the abovementioned multiproduct line contract.
- b) a contingent liability under the surety granted by the Issuer in connection with the co-operation agreement No. 03/005/17/Z/PX dated January 18, 2017 concluded between Fugo Zamet ("Borrower") and mBank S.A. ("Bank"). Zamet Industry granted a blank promissory note (aval) with a due date in accordance with the Bank's requirements, which includes an obligation to pay the amounts owed to the Bank from the Borrower under the abovementioned co-operation agreement and executive agreements concluded under the co-operation agreement.
- c) under an agreement between Zamet Industry and mBank S.A. ("Bank") and within the bank credit limit granted to Zamet Industry bank guarantees were granted to the contractors of Fugo Zamet, which are the beneficiaries of these collaterals, as collateral for possible claims by Beneficiaries against Fugo Zamet from the contracts. The total value of contingent liabilities is EUR 331,850.19 (three hundred

thirty one thousand eight hundred fifty euro and 19/100). Famur Famak stated that it accepts joint liability along with Fugo Zamet, for the reimbursement of the costs of maintaining the guarantees in question and for the reimbursement of amounts made under the Zamet Industry guarantee, plus the costs charged by the Bank for the performance of the bank guarantee.

On April 4, 2017 Fugo Zamet Sp. z o.o. repaid the loan obligation towards Zamet Industry S.A. in the amount of PLN 16,500,000.00.

## 16. GRANTED GUARANTEES OR WARRANTIES AND CHANGES IN CONTINGENT LIABILITIES

<b>OFF-BALANCE-SHEET ITEMS (capital group)</b>	<b>Period ended March 31, 2017</b>	<b>Period ended Dec 31, 2016</b>	<b>Period ended March 31, 2015</b>
<b>1. Contingent claims</b>	-	-	-
<b>2. Contingent liabilities</b>	26 950	32 802	20 329
1.1. In favour of affiliated entities (due to)	-	-	-
1.2. In favour of other entities (due to)	26 950	32 802	20 329
- granted warranties	26 950	32 802	20 329
<b>Off-balance-sheet items, total</b>	<b>26 950</b>	<b>32 802</b>	<b>20 329</b>

The value of contingent liabilities due to guarantees includes liabilities arising from the bank guarantees of proper performance of contractual obligations, bank guarantees to secure claims under the guarantee and warranty and bank guarantees of refund which the Group companies provide in connection with their business with contractors.

## 17. INFORMATION ON PAID OR DECLARED DIVIDEND

In the reporting period and till the publication of this report, the Company did not pay or declare any dividend.

## 18. INFORMATION ON EVENTS AFTER THE REPORTING PERIOD

After the reporting period, Zamet Industry S.A. (Seller) and Famur Famak S.A. based in Kluczbork (Buyer), a company affiliated to the issuer, so that both entities are indirectly controlled by TDJ S.A. and Mr. Tomasz Domogała, concluded an contract of sale of Fugo Zamet Sp. z o.o. shares dated April 3, 2017. Shares were sold for PLN 14,000,000.00. The price was paid on April 3, 2017. In the offer Famak indicated that because of the good assessment of the prospects of the market in which it operates and thus the need for additional production capacity, it is interested in taking over the Konin facility, which has the appropriate machinery park and the competences that fit into its production profile (i.e. the production of reloading machines and machinery and equipment used in the opencast mining sector). At the same time Famak pointed out that it was interested in retaining the production capacity and in further development of the Konin plant after adjusting it to the requirements of its production. The decision of the Issuer's Management Board was motivated primarily by the need to adjust the scale of activity to the current market situation, resulting mainly from a significant investment slowdown in the Oil & Gas segment.

On April 4, 2017 Fugo Zamet Sp. z o.o. repaid the loan obligation towards Zamet Industry S.A. in the amount of PLN 16.500.000,00.

On April 20, 2017 the Management Board of Zamet Industry S.A. passed a resolution on the establishment of a limited liability company ("the Company"), based in Chojnice (89-600), for which Zamet Industry SA will become the sole shareholder and will acquire 100% (one hundred percent) of the Company's shares. The company will operate under the name of Mostostal Chojnice Sp. z o.o. The Company's initial capital at the initial stage will amount to PLN 5,000 (five thousand zlotys) and will be divided into 100 shares with a nominal value of PLN 50.00 (fifty zlotys) each. Shares acquired by Zamet Industry S.A. in the Company's share capital will be covered by a cash contribution. The Company's governing bodies will be the General Meeting of Shareholders and the Management Board. At the initial stage, no Supervisory Board is appointed. The Company will be established pursuant to Art. 157 (1) § 1 of the Commercial Companies Code, this is using the contract template.

## 19. INFORMATION ABOUT EVENTS CONCERNING PREVIOUS YEARS

There were no events related to prior years, which would require recognition in the books.

## 20. OTHER NOTES AND CLARIFICATIONS

### 20.1. INFORMATION ON SIGNIFICANT TRANSACTIONS OF ACQUISITION AND SALE OF TANGIBLE FIXED ASSETS.

In the first quarter of 2017 there were no significant acquisitions or sales of tangible fixed assets.

### 20.2. INFORMATION ON SIGNIFICANT LIABILITIES ARISING FROM PURCHASE OF TANGIBLE FIXED ASSETS

In the first quarter of 2017 there were no significant liabilities arising from the purchase of tangible fixed assets.

### 20.3. INFORMATION ON SIGNIFICANT SETTLEMENTS RELATED TO COURT CASES

In the first quarter of 2017 there were no significant settlements of litigation.

### 20.4. INDICATION OF CORRECTION OF ERRORS OF PREVIOUS PERIODS.

In the first quarter of 2017 there were no corrections of prior period errors.

### 20.5. INFORMATION ON CHANGES IN THE ECONOMIC SITUATION AND OPERATING CONDITIONS WHICH SIGNIFICANTLY AFFECT THE FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES OF UNITS.

In the first quarter of 2017, the company made no adjustments in the fair value of financial assets and financial liabilities of the unit.

### 20.6. INFORMATION ON NON-REPAYMENT OF A LOAN OR VIOLATION OF THE MATERIAL PROVISIONS OF A LOAN AGREEMENT, IN RESPECT OF WHICH NO CORRECTIVE ACTION WAS TAKEN UNTIL THE END OF THE REPORTING PERIOD.

In the first quarter of 2017 as well as after it until the date of publication of this report, the Group companies handled and still handle in a timely manner all credit commitments. At the end of the reporting period breach of certain contractual covenants occurred (only in loan agreements providing for quarterly verification of specific indicators as at March 31, 2017). Given the fact that the agreements with entities providing funding, allow the issuer to periodically exceed the coveted indexes, as well as taking into account the significant diversification of sources of financing the group, the Board believes that the liquidity risk of the company and the capital group directly related to the above circumstances is insignificant.

### 20.7. IN CASE OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE – INFORMATION ABOUT THE CHANGE OF THE ESTIMATION METHOD

In the period covered by this report, there was no change in the method of determining the fair value of financial instruments.

### 20.8. INFORMATION ON CHANGES IN THE CLASSIFICATION OF FINANCIAL ASSETS AS A RESULT OF CHANGES TO OR USE OF THESE ASSETS

In the period covered by this report there were no changes in classification of financial assets.

### 20.9. INFORMATION ON THE ISSUING, REDEMPTION AND REPAYMENT OF NON-EQUITY AND EQUITY SECURITIES

In the period covered by this report, there were no above-mentioned events.

**20.10. OTHER INFORMATION OF POTENTIAL SIGNIFICANT IMPACT ON THE ASSESSMENT OF THE ASSETS, FINANCIAL POSITION AND FINANCIAL RESULT OF THE ISSUER.**

In the opinion of the Board, the information included in the condensed consolidated financial statements and quarterly financial information, supplemented by additional information, fully reflect the true and fair picture of the financial position and the financial result of the Capital Group of the Issuer.

## ADDITIONAL INFORMATION

### 1. SHARES HELD BY THE MANAGEMENT AND SUPERVISORY BOARD MEMBERS

To the best knowledge of the Management Board, according to the received notification and submitted declarations of obliged persons, the number of shares of the Issuer held by the members of the management and supervisory bodies is as follows:

As at the date of report publication for the first quarter of 2016		Number of shares	Number of votes	Share %
Tomasz Jakubowski	President	160 000	160 000	0.15%
Artur Jeziorowski	Vice-president	-	-	-
Przemysław Milczarek	Vice-president	-	-	-
Krzysztof Walarowski	Vice-president			
Tomasz Domogała (indirectly)*	Supervisory Board Chairman	59 770 372	59 770 372	56.43%
Czesław Kisiel	Supervisory Board Member	-	-	-
Magdalena Zajączkowska-Ejsymont	Supervisory Board Member	-	-	-
Jacek Leonkiewicz	Supervisory Board Member	-	-	-
Beata Zawiszowska	Supervisory Board Member	64 200	64 200	0.06%

In the period of January 1, 2017 to March 31, 2017 as well as after the reporting period until the date of this report publication, the Issuer did not receive notifications about transactions on the shares of Zamet Industry S.A. made by persons obliged. According to the management's best knowledge at the date of publication of this report, Mr. Tomasz Domogała did not directly hold shares of the Issuer. Mr. Tomasz Domogała is a directly dominant entity of TDJ S.A. and an indirectly dominant entity of TDJ Equity III Sp. z o.o. therefore he indirectly holds 59 770 372 of ordinary bearer shares of Zamet Industry S.A., which constitute 56.43% of share capital and give the right to 59 770 372 votes at the General Meeting, constituting 56.43% of the total number of votes.

### 2. MANAGEMENT OPINION ON THE FEASIBILITY OF FORECASTS

The Board of Zamet Industry S.A. did not make public any forecasts of financial results for 2017. The Board did not decide to publish forecasts of the coming reporting periods either.

### 3. INFORMATION ON JUDICIAL AND ADMINISTRATIVE PROCEEDINGS

In the reporting period, as well as at the end of this period, none of the companies of the Zamet Industry Capital Group faced any significant proceedings before a court, a body competent for arbitration or a public administration body.

### 4. EXPOSURE CURRENCY

With regard to the risks associated with the negative valuation of forward exchange contracts concluded, the Issuer presents the valuation of these transactions at the balance sheet date.

#### Consolidated data – Capital Group

Derivative instruments (group of instruments)	Planned realization date of hedged cash flow or group of cash flows	Nominal value at the market rate at March 31, 2017	Profit/loss	Hedged risk
Forward - EUR sale	Q2 2017	15 326	426	Foreign exchange risk
Forward - NOK sale	Q2 2017	552	18	Foreign exchange risk
Forward - EUR sale	Q3 2017	18 967	638	Foreign exchange risk
Forward - EUR sale	Q4 2017	11 864	568	Foreign exchange risk
Forward - EUR sale	Q1 2018	12 594	502	Foreign exchange risk
Forward - EUR sale	Q2 2018	4 891	157	Foreign exchange risk
Forward - EUR sale	Q3 2018	3 648	58	Foreign exchange risk
		<b>67 842</b>	<b>2 367</b>	

#### Separate data – Issuer

Derivative instruments (group of instruments)	Planned realization date of hedged cash flow or group of cash flows	Nominal value at the market rate at March 31, 2017	Profit/loss	Hedged risk
Forward - EUR sale	Q2 2017	11 203	312	Foreign exchange risk
Forward - NOK sale	Q2 2017	552	018	Foreign exchange risk
Forward - EUR sale	Q3 2017	13 339	459	Foreign exchange risk
Forward - EUR sale	Q4 2017	9 294	480	Foreign exchange risk
Forward - EUR sale	Q1 2018	2 969	138	Foreign exchange risk
Forward - EUR sale	Q2 2018	2 853	081	Foreign exchange risk
Forward - EUR sale	Q3 2018	3 648	058	Foreign exchange risk
		<b>43 858</b>	<b>1 546</b>	

## 5. HUMAN RESOURCES

The employment policy implemented in the Zamet Industry Group assumes constant monitoring of employment with a view to optimal exploitation of the workforce taking into account the current demand for services offered by the group, suitability and qualifications of the employees and tasks arising from the development strategy. As at March 31, 2017, the level of employment in the group is as follows:

Employment as at:	March 31, 2016	Dec 31, 2015
<b>Zamet Industry S.A.</b>	<b>673</b>	<b>722</b>
- Piotrków Tryb.	354	385
- Chojnice	319	337
<b>Zamet Budowa Maszyn S.A.</b>	<b>278</b>	<b>309</b>
- Tarnowskie Góry	194	219
- Bytom	84	90
<b>Fugo Zamet Sp. z o.o.</b>	<b>359</b>	<b>369</b>
<b>TOTAL</b>	<b>1 310</b>	<b>1 400</b>

In the reporting period there was a decrease in employment, mainly due to restructuring and optimization activities within the capital group aimed at adjusting the scale and costs of operations to the current market situation.

## 6. FACTORS THAT MAY AFFECT RESULTS OF FUTURE REPORTING PERIODS

The dynamics of development of the Zamet Industry S.A. Capital Group is influenced by several factors of an internal nature resulting from the conditions of the Company's business and development strategy and by external factors resulting from the market environment.

The key external factors which will affect the development and results of the company in the future, including within the next quarters, are presented below. The order they are presented is not related to the evaluation of their relevance or risk.

### GLOBAL MACROECONOMIC SITUATION, IN PARTICULAR:

- the level of oil and gas prices on the world markets; decline in energy fuels prices, especially oil, affects the activity of the Zamet Industry Group and the financial results. According to the Management Board, long-term persistence of prices of these raw materials on world markets at a level significantly lower than the average level of oil prices in recent years may negatively affect the development of investment and production, which in turn could adversely influence the number of contracts implemented by the Zamet Industry Group in the dominant business segment of machines for oil and gas market and thus the financial results. It is worth noting that at the end of the fourth quarter of 2015 and first quarter of 2016 the average price of oil reached levels of \$30 per barrel and lower, which means that the minimum value of the price of this raw material was reached over the last decade. These trends translate into a negative impact on the number and scale of mining projects throughout the world in the sectors related to the submarine exploitation of oil and natural gas, which in turn affects the activity of Zamet Industry having an impact on both the amount of revenue recorded in the key offshore segment, but also contributing to a decrease in viability of the segment.
- the economic situation in the sector of oil and gas production from the seabed, which is closely linked to the order book of the world's largest suppliers (in particular suppliers in Norway) who are the main recipients of equipment manufactured by Zamet Industry S.A. in its dominant business segment. The economic situation and prospects of development for the market of machines and equipment for the offshore sector (devices for drilling rigs, equipment for underwater oil and gas mining, lifting equipment and winches) depend mainly on investment in work related to the exploration and exploitation of offshore oil and gas. The potential of this market results from the global economic demand for oil and gas, shrinking energy reserves on land and the need to use resources located under the seabed. The risk of reduced investor activity and growth of the offshore market is associated with the risk of prices of energy resources such as oil and natural gas. Offshore oil and gas mining is concentrated in a few regions of the world which among others include the shelf area of the North Sea. Norwegian companies have a key position in the region. The Zamet Industry Group co-works to a significant extent with suppliers of these companies, which is reflected in export directions. The downturn in the offshore market for the Zamet Industry Capital Group is associated with a reduction in the number of orders from clients in Norway and may indicate worsening financial results. It should be noted that the level of investment in the offshore industry is reflected in the Group's results with a time lag associated with, among others, the length of the production cycle of the equipment manufactured by Zamet.
- the situation in the steel sector, which historically is closely linked to the level of investments made by customers of the subsidiary Zamet Budowa Maszyn S.A. in the segment of machinery for the steel and non-ferrous metals, translates into the results achieved by this company and its consolidated results.
- the situation in the mining and energy sector in the domestic market, which is related to the level of investments by energy companies. The development of investment in the energy sector has an impact on the number of orders executed by Zamet Industry SA in this business segment.

- the situation in the infrastructure sector (bridges and construction), to which the level of road investment is related. The development of investments in this sector has an impact on the volume of orders performed by Zamet Industry S.A. for such recipients as Skanska.
- the situation in the transshipment sector, in particular the level of new port investments in the field of handling and cargo handling equipment. The development of investments in this sector has an impact on the volume of orders performed by Zamet Industry S.A. for such recipients as Cargotec or Konecranes.
- demand for investment goods and related financial and investment policy of Polish and foreign recipients of specialized machinery and equipment manufactured by Zamet Industry, on which the amount of expenditures incurred for repairs, modernization and purchase of new equipment and spare parts mainly depends.
- prices of raw materials necessary for the production of machinery and equipment manufactured by the Zamet Group, and the prices of steel in particular may affect the results of individual quarters. The Company tries to hedge the risk associated with unfavorable changes in the prices of raw materials on the basis of the contractual provisions of the possibility of price indexation in case of essential changes in the prices of raw materials.
- currency fluctuations may affect the results of individual quarters. The information about the hedged FX exposure is always presented by the Company in the periodic reports. In order to reduce exchange rate risk, in accordance with the hedging policy applicable within the Group, a specific part of the expected cash flows from an executed contract for the supply of machinery / equipment is hedged. Hedging instruments are forward foreign exchange contracts. Hedge effectiveness is verified through the use of prospective and retrospective effectiveness tests. Sales executed in currency, subject to hedge accounting, are based on contracts signed with customers for the supply of machinery / equipment. The hedging strategy is based on hedging the currency risk associated with highly probable anticipated or contracted cash flows, as well as cash flows resulting from monetary items denominated in foreign currencies. According to the policy applicable within the Group, the risk of changes in exchange forwards is hedged. Part of the assumed revenues from the sale in currencies, individually determined for each planned or concluded contract is subject to hedging.

Following factors shall be indicated among the conditions of an internal nature, which can affect the development of the Capital Group in the future, including in the next reporting periods:

- Sale by the Issuer on April 3, 2017, 100% of shares of Fugo Sp. z o.o. (Now Fugo Zamet Sp. Z o.o.) based in Konin, to Famur Famak S.A. for the price of PLN 14,000,000 (fourteen million zlotys). The parties have agreed that the selling price will be paid within seven days of the date of the sale contract. The Buyer acquires the right of ownership of the shares on 3 April 2017. The Issuer's Management Board explains that the sale of Fugo shares allows Zamet Industry to adjust its production capacity to the market situation, taking into account the oil and gas sector's investment slowdown. It will then contribute to further optimizing the operating costs and thus increasing Zamet Industry's competitiveness, as well as ensuring a significant reduction in the external debt of Zamet Industry. The benefits described above represent the merits of the sale. Furthermore, the sale of Fugo's shares to Famur Famak S.A. allows Fugo to further develop and make effective use of its potential.
- Effectiveness and impact of optimizing actions taken, aimed at a thorough reorganization of the cost base of the parent company and the subsidiaries within the group and effectiveness of undertaken commercial activities aimed at increasing the volume of sales may significantly affect the results of individual quarters. The Issuer's Management stresses that the formed business model, on the basis of which the parent company and subsidiaries operate, is not associated with framework agreements that would guarantee a certain level of orders and thus the occupancy rate of the plants. Cooperation with key partners takes place on the basis of current orders. In connection with the ongoing slowdown of

investments in the key segments of the group, there is a risk associated with a decrease in orders (especially in segments with relatively high acquired margins of sales); as a result, the level of income and margin obtained would be insufficient to cover the fixed costs of activity.

- Profitability of current projects, the effectiveness and timeliness of the production may affect the financial results of the Company and the Group in the coming quarters. Improving the organization of work aimed at increasing the efficiency and the use of the means of production increases sales profitability, and preferably translates into results. Due to the nature of concluded individual significant contracts, in particular the contract of the Issuer ("Contractor") with the company E003B7 Sp. z o.o. based in Racibórz ("Purchaser"), of which the Issuer informed in current reports No. 34/2015, 36/2015 and 1/2016, possible risks of labour intensity underestimating, possible delays in the implementation of the contract or possible defects in workmanship should be taken into account. All of the above risk factors, if occur, could affect the results presented in the next reporting periods.

## **7. OTHER INFORMATION**

- Information on transactions with related parties is presented in Section 14 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.
- Information on granted warranties and guarantees, as well as information about changes in contingent liabilities is presented in Section 16 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS and in Section 9 CONDENSED SEPARATE FINANCIAL STATEMENTS.

SEPARATE CONDENSED FINANCIAL STATEMENTS OF ZAMET INDUSTRY S.A.

1. SEPARATE STATEMENT OF FINANCIAL POSITION OF ZAMET INDUSTRY S.A.

<b>Assets</b>	<b>March 31, 2016</b>	<b>Dec 31, 2016</b>
<b>Fixed assets</b>	<b>118 150</b>	<b>119 255</b>
Intangible assets	116	138
Tangible fixed assets:	63 238	64 431
Long-term receivables	-	-
Long-term investments	42 642	42 520
Deferred tax assets	12 154	12 167
Other long-term assets (accruals)	-	-
<b>Current assets</b>	<b>96 065</b>	<b>126 022</b>
Inventory	9 174	6 096
Trade receivables	57 792	88 306
Other short-term receivables	7 809	5 100
Cash and cash equivalents	1 687	7 835
Other current assets	19 603	18 684
<b>Total assets</b>	<b>214 215</b>	<b>245 276</b>
<b>Liabilities</b>	<b>March 31, 2016</b>	<b>Dec 31, 2016</b>
<b>Equity</b>	<b>121 729</b>	<b>107 208</b>
Share capital	74 144	74 144
Own shares (negative value)	-	-
Supplementary capital	126 962	126 962
Revaluation reserve	-	- 53
Other reserve capitals	5 290	5 290
Exchange differences from the translations	-	-
Retained earnings	-84 667	- 99 136
Capital attributable to shareholders of the parent entity	121 729	107 208
<b>Liabilities and provisions for liabilities</b>	<b>92 486</b>	<b>138 069</b>
Provisions for liabilities	27 471	29 107
Long-term credits and loans	14 401	41 309
Other long-term liabilities	72	72
Trade liabilities	16 454	17 672
Tax liabilities	2 469	6 893
Short-term credits and loans	23 168	5 230
Other short-term Liabilities	8 452	37 787
Other liabilities (accruals)	-	-
<b>Total liabilities</b>	<b>214 215</b>	<b>245 276</b>

## 2. SEPARATE PROFIT AND LOSS OF ZAMET INDUSTRY S.A.

	March 31, 2017	3 months ended March 31, 2016
Net revenues from sales	27 943	37 341
Cost of products, goods and materials sold	26 066	32 107
<b>Gross profit on sales</b>	<b>1 877</b>	<b>5 235</b>
Other operating revenues	1 576	1 449
Selling costs	326	37
General and administrative costs	3 026	4 158
Other operating expenses	908	524
<b>Profit on operating activities</b>	<b>-808</b>	<b>1 964</b>
Financial revenues	19 878	1 524
Financial expenses	1 199	1 061
Excess of acquirer's interest in the net assets of the subsidiary over the cost of the combination	-	-
<b>Gross profit</b>	<b>17 872</b>	<b>2 427</b>
Income tax	3 403	452
Profit withdrawals	-	-
Net profit attributed to:		
shareholders of the parent company	14 468	1 975
minority shareholders	-	-
<b>Net profit</b>	<b>14 468</b>	<b>1 975</b>
Number of shares (units)	105 920 000	96 300 000
Earnings per 1 share (PLN)	0.1366	0.0205

## 3. SEPARATE STATEMENT OF COMPREHENSIVE INCOME OF ZAMET INDUSTRY S.A.

Comprehensive income statement	from Jan 1, 2017 to March 31, 2017	from Jan 1, 2016 to March 31, 2016
	TPLN	TPLN
<b>Net (loss) profit</b>	14 468	1 975
<b>Other comprehensive income subject to reclassification to profit and loss:</b>	53	-
Valuation of hedging instruments	65	-
Income tax on components of other comprehensive income in total	- 12	-
<b>Other comprehensive income that will not be reclassified to profit and loss:</b>	-	-
Other income- -actuarial gains/losses	-	-
Income tax on components of other comprehensive income	-	-
<b>Total other comprehensive income</b>	<b>53</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>14 521</b>	<b>1 975</b>
- attributable to shareholders of parent company	14 521	1 975
- attributable to minority shareholders	-	-
Weighted average number of ordinary shares	105 920 000	96 300 000
Profit (loss) per ordinary share in PLN	-	-
Weighted average diluted number of ordinary shares	105 920 000	96 300 000
Diluted profit (loss) per ordinary share in PLN	-	-

#### 4. SEPARATE CASH FLOW STATEMENT OF ZAMET INDUSTRY S.A.

	<b>3 months ended</b>	
	<i>March 31, 2017</i>	<i>March 31, 2016</i>
<b><u>Operating activities</u></b>		
Gross profit (loss)	17 872	2 427
<b>Adjustment total</b>	<b>-14 445</b>	<b>26 422</b>
Amortization and depreciation	1 453	2 037
(Profits) loss on accounts of foreign exchange	-	-7
Interest and shares in profits (dividends)	177	197
(Profit) loss on investment activity	-19 825	-2 177
Change in provisions	-5 039	27
Change in inventory	-3 077	-3 467
Change in receivables	29 266	-3 298
Change in short-term liabilities excluding credits and loans	-16 272	34 343
Income tax paid	-	- 280
Change in accruals and prepayments	-1 180	-1 180
Other adjustments	52	227
<b>Net cash flows from operating activities</b>	<b>3 427</b>	<b>28 849</b>
<b><u>Investment activities</u></b>		
<b>Inflows</b>	<b>626</b>	<b>725</b>
Disposal of intangible and tangible fixed assets	186	725
From financial assets	440	0
<b>Outflows</b>	<b>868</b>	<b>74 396</b>
Purchase of intangible assets and tangible fixed assets	868	2 536
For financial assets	-	71 860
Other outflows from investment activities	-	-
<b>Net cash flows from investment activities</b>	<b>-242</b>	<b>- 73 671</b>
<b><u>Financial activities</u></b>		
<b>Inflows</b>	<b>17 938</b>	<b>63 132</b>
Credits and loans	17 938	63 132
<b>Outflows</b>	<b>27 271</b>	<b>16 492</b>
Dividend and other payments to shareholders	-	-
Repayment of credits and loans	26 908	15 535
Payment of liabilities arising from financial leases	19	60
Interest	344	437
<b>Net cash flows from financial activities</b>	<b>-9 332</b>	<b>46 641</b>
<b>Total net cash flows</b>	<b>-6 148</b>	<b>1 819</b>
Cash at the beginning of the period	7 835	679
Cash at the end of the period	1 687	2 498

**5. SEPARATE STATEMENT OF CHANGES IN EQUITY OF ZAMET INDUSTRY S.A.**

	Share capital	Supplementary capital	Other reserve capitals	Revaluation reserve	Retained earnings	Equity capital Total
	TPLN	TPLN	TPLN	TPLN	TPLN	TPLN
<b>As at 1 January 2017</b>	74 144	126 962	5 290	- 53	- 99 136	107 208
Net profit (loss)	-	-	-	-	14 468	14 468
Other comprehensive income	-	-	-	53	-	53
<b>Total comprehensive income</b>	-	-	-	53	14 468	14 521
<b>As at 31 March 2017</b>	<b>74 144</b>	<b>126 962</b>	<b>5 290</b>	<b>- 0</b>	<b>- 84 667</b>	<b>121 729</b>
	Share capital	Supplementary capital	Other reserve capitals	Revaluation reserve	Retained earnings	Equity capital Total
	TPLN	TPLN	TPLN	TPLN	TPLN	TPLN
<b>As at 1 January 2016</b>	67 410	89 403	5 290	- 51	15 455	177 508
Net profit (loss)	-	-	-	-	- 99 148	-99 148
Other comprehensive income	-	-	-	- 2	31	29
<b>Total comprehensive income</b>	-	-	-	- 2	- 99 117	-99 119
Transfer of profit to supplementary capital	-	15 819	-	-	- 15 819	-
Loss compensation	-	-344	-	-	344	-
Share issue	6 734	22 084	-	-	-	28 818
<b>As at 31 December 2016</b>	<b>74 144</b>	<b>126 962</b>	<b>5 290</b>	<b>- 53</b>	<b>- 99 136</b>	<b>107 208</b>
	Share capital	Supplementary capital	Other reserve capitals	Revaluation reserve	Retained earnings	Equity capital Total
	TPLN	TPLN	TPLN	TPLN	TPLN	TPLN
<b>As at 1 January 2016</b>	67 410	89 403	5 290	- 51	15 455	177 508
Net profit (loss)	-	-	-	-	1 975	1 975
Other comprehensive income	-	-	-	284	-	284
<b>Total comprehensive income</b>	67 410	89 403	5 290	284	17 430	179 767
<b>As at 31 March 2016</b>	<b>67 410</b>	<b>89 403</b>	<b>5 290</b>	<b>234</b>	<b>17 430</b>	<b>179 767</b>

## 6. ADOPTED ACCOUNTING PRINCIPLES

The financial statements of ZAMET INDUSTRY are prepared in accordance with the International Financial Reporting Standards. In particular, this report has been prepared on the basis of the scope defined in IAS 34 "Interim Financial Reporting", and in the scope not regulated by the IFRS in accordance with the requirements of the Accounting Act and in accordance with the requirements of the Regulation of the Minister of Finance dated 19 February 2009 regarding current and periodic information provided by issuers of securities (Official Journal from 2014 item 133 as amended).

## 7. CHANGES TO DATA PRESENTATION IN THE FINANCIAL STATEMENTS

No changes occurred in the presentation of data in the financial statements.

## 8. INFORMATION ON WRITE-OFFS AND PROVISIONS

Issuer	March 31, 2017	Change	Dec 31, 2016
Long-term provisions for retirement and other similar benefits	4 566	0	4 566
Short-term provisions for retirement and other similar benefits	1 774	24	1 751
Other long-term provisions	1 356	- 292	1 648
Other short-term provisions	9 983	-4 771	14 754
Revaluation write-offs on receivables	1 414	272	1 141
Revaluation write-offs on stocks	1 624	- 870	2 494
Revaluation write-offs on tangible assets and intangible assets	1 248	-	1 248
Deferred income tax assets	12 154	- 13	12 167
Deferred income tax provision	9 792	3 403	6 389

## 9. GRANTED GUARANTEES AND WARRANTIES AND CHANGES IN CONTINGENT LIABILITIES

OFF-BALANCE SHEET ITEMS	As at March 31, 2017	As at Dec 31, 2017	As at March 31, 2016
<b>1. Contingent claims</b>	-	-	-
<b>2. Contingent liabilities</b>	36 829	19 779	20 329
1.1. In favour of affiliated entities (due to)	-	-	-
1.2. In favour of other entities (due to)	36 829	19 779	20 329
- granted warranties and sureties including	20 329	19 779	20 329
- loan guarantee	16 500		16 500
<b>Off-balance sheet items, total</b>	36 829	19 779	20 329

The value of contingent liabilities due to guarantees includes liabilities arising from the bank guarantees of proper performance of contractual obligations, bank guarantees to secure claims under the guarantee and warranty and bank guarantees of refund which the Company provides in connection with their business with contractors. Surety in the amount of PLN 16.5 million granted by Zamet Industry S.A. to Bank Millennium S.A. applies to the agreement dated 25 February 2016 concluded by Fugo Sp. z o.o. in Konin, a subsidiary of the Issuer. The agreement refers to a multiproduct line by which Bank Millennium S.A. with its seat in Warsaw ("Bank") grants Fugo Sp. z o.o. located in Konin ("Borrower") a limit to the total amount of PLN 15,000,000.00 (fifteen million of PLN) and a treasury limit agreement, within which the Bank grants the possibility of transactions to the amount of PLN 5,000,000.00 (five million of PLN). The Issuer's contingent liability under this guarantee expired after the reporting period, prior to the date of this report publication.

I HEREBY DECLARE THAT ACCORDING TO THE MANAGEMENT, THE INFORMATION INCLUDED IN THIS REPORT FULLY PRESENTS A RELIABLE AND TRUE SITUATION OF ASSETS AND FINANCES AS WELL AS FINANCIAL RESULTS OF THE ISSUER AND THE ISSUER'S CAPITAL GROUP. THE REPORT WAS SIGNED AND APPROVED FOR PUBLICATION IN PIOTRKÓW TRYBUNALSKI, ON MAY 12, 2017.

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**TOMASZ JAKUBOWSKI**

President

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**ARTUR JEZIOROWSKI**

Vice-president for Operations

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**PRZEMYSŁAW MILCZAREK**

Vice-president for Finance

---

**KRZYSZTOF WALAROWSKI**

Vice-president for Commercial