

**Statement of the Management Board
on the operations of the Stalprodukt S. A.
for the period
from 1 January 2022 to 31 December 2022**

Bochnia, April 2023

Part I. Information on the main areas of operations of Stalprodukt S.A.

1. Introduction

Stalprodukt S.A. was established in 1991 in the restructuring process of Tadeusz Sendzimir Steel Works (currently a division of ArcelorMittal Poland S.A.), using the innovative path of privatisation. A year later, after signing with T. Sendzimir Steel Works agreements regarding the lease of land, facilities, equipment and machinery, supply of charge for production and purchase of current assets, Stalprodukt started an independent business activity.

As a result of the efforts of the Company's management in the years 1994-1996, a gradual purchase was being made – under an open public tender procedure - of previously leased fixed assets and the right of perpetual usufruct of land from T. Sendzimir Steel Works for the total net amount of PLN 90 mln.

The purchase of assets from HTS S.A. ended the process of privatisation of Stalprodukt S.A. and enabled the Management Board of the Company to take actions to introduce the Company's shares to public and then stock exchange trading (the first listing of Stalprodukt shares took place on 6 August 1997). This enabled the acquisition of additional financial resources, which were intended for the purchase of a 20-roll "Sendzimir" mill and the extension of the production hall of the Transformer Steels Plant.

In mid-1997, the second phase of transformations was initiated, aimed at establishing a capital group. As a result of this process, new entities were established, mostly limited liability companies with a majority share owned by Stalprodukt.

The company, as the first producer of steel products in Poland, joined in 1997 to build its own distribution network of sections. The main goal of this undertaking was to organise comprehensive sales of steel products from Stalprodukt and other manufacturers in the industry. This project was completed in its principal part in 2000 thanks to the launch of a commercial warehouse in Wrocław. The process of expanding the scope of the distribution network also continued in the following years, thanks to which more commercial warehouses were opened.

In successive years, the company continued its dynamic development, which was based mainly on organic growth, extensive project investments and decisions of strategic importance. The most important ones concerned the withdrawal from the production of dynamo steels, the dynamic growth of the transformer steels segment potential, the increase of production potential and the extension of the cold formed profile and road barrier segment as well as the construction of hot and cold rolled steel service centres.

Acquisitions were also an important element of the development of Stalprodukt.

- In 2005, the Company purchased the Power Engineering Steel Structure Enterprise "ELBUD" in Kraków.
- On 1 October 2008, Stalprodukt acquired - under a new share issue - a controlling share package (51%) in Cynk-Mal S.A. with its registered office in Legnica (1 July 2016, after the purchase of shares held by minority shareholders, Stalprodukt became the sole owner of this company).
- On 7 November 2012, the Company concluded an Agreement with the State Treasury, as a result of which Stalprodukt S.A. acquired 10,961,600 named shares of "Bolesław" Mining and Metallurgical Plant S.A. with its registered office in Bukowno, constituting 86.92% of its share capital.

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- On 15 December 2017, Stalprodukt signed a purchase agreement for 100% of shares in GO Steel Frydek Mistek a.s. with its registered office in Czech Republic from ArcelorMittal S.A. with its registered office in Luxembourg.

For several years, Stalprodukt has distinguished as part of its operations 2 basic operating segments:

- a) **Electrical Steels Segment** including the production of electrical transformer steels and toroidal cores;
- b) **Formed Profiles Segment** including production:
 - cold formed sections;
 - protective road barriers;
 - toroidal cores;
 - hot and cold rolled steels - in sheets and strips

Due to non-compliance with the quantitative criteria for classification in a separate operating segment, group sales of goods and other services are shown in "other operations" - to balance the Group's results.

2. Sale of core products, markets. Sources of supply of materials

2.1. Electrical Steels Segment

a) Transformer steels and strips

In 2022, the Stalprodukt Group sold 6.7% less transformer sheets in terms of volume compared to 2021, an increase in sales revenues of 80.2% was recorded, and prices were higher by 69%.

The price increase trend was particularly visible in the third quarter of 2022. The sale of transformer sheets on the domestic market accounts for about 4%, while export sales are the basis for commercial activities in the field of transformer sheets with almost 96%. share of total sales. In 2022, almost one-third of the sales of both CGO and HGO sheets went to the Company's Italian customers. Nearly 20% was delivered to Mexico, and countries with around 6-7% share are: India, Austria, Germany and Croatia. Imports of transformer sheets to Poland in the 12 months of 2022 increased by 15% compared to the same period in 2021 and reached the level of 9.7 thousand tonnes. The prices of imported material increased by 73% compared to the previous period (PLN 16.3 thousand/MT).

The main directions of import of transformer sheets to Poland (by country of origin) in 2022 are:

- in the field of strips: Germany (34%), France, Italy, the Czech Republic and China (12%),
- for wide coils: Japan (70%) and Germany.

Table 1. Sales of transformer steels and strips

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2021	2022	2022/2021 (%)	2021	2022	2022/2021 (%)
Country	4 389	3 145	-28,3	42 779	53 534	25,1
Export	69 299	75 502	9,0	632 271	1 162 902	83,9
Total	73 689	78 647	6,7	675 050	1 216 436	80,2

Market environment

The global market and the availability of grain oriented sheets in 2022 were influenced by many factors - the main ones include the war in Ukraine and the consequences of lockdowns and the zero-covid policy in China.

The high price increase was caused to a greater extent by the risk of limited access to the material than by the actual situation. Despite the war and the introduction of sanctions against Russia, the import of electrotechnical sheets to Europe in 2022 has reached unprecedented levels. GOES sheets were not included in the steel "safeguard", which was the basis of sanctions for steel products from Russia. And despite extensive efforts by EU producers to tighten the sanctions, the enlargement process dragged on. The protection of GOES sheets was only included in the eighth sanction package, and the ban on imports into the EU from Russia was introduced only after January 8, 2023.

Based on preliminary import data for 2022, it can be assumed that the share of GOES sheet imports has increased even above 50% of the total European demand, effectively displacing European producers.

Trends in the global economy and industrial production have been deteriorating since the second half of the second quarter, the entire macroeconomic environment has deteriorated, which resulted in a drop in demand, high inventories and prices of material from China and Russia, which were increasingly out of step with the rest of the world.

It was the large difference between domestic and import prices in Europe in the first half of 2022 that attracted a huge amount of imported material, this trend definitely increased in the second half of the year, reaching a historical record of imports of transformer sheets to Europe, which was reflected in reduced allocations for customers in the first quarter and/or first half of 2023.

With regard to electrical steel, Asia is the most important source of demand, but also of supply, and consequently prices depend in particular on the situation on this market. The abolition of the export rebate in China had a positive impact on prices outside of China, while difficulties in exporting due to logistics constraints in Asia further impacted the international pricing environment. A significant reduction in freight prices and shortening delivery times from China to Europe have an impact on the purchasing decisions of European customers, the implementation of which is scheduled for 2023.

Extension of the protective measures for GOES plates in Europe in January 2022 had no market dimension due to the detachment of current market prices from the measures which were extended through an interim review procedure. The levels of minimum import prices (MIP) set in 2015 had nothing to do with the high prices recorded. The rigidity of EU procedures and the extended processing time based on historical data in some cases lose the sense of action and do not meet the real needs of European entrepreneurs.

While in Europe last year the main topic was the departure from fossil fuels, and for manufacturers the most important topics focused on *Fit for 55*, *ESG*, etc., the war in Ukraine changed the reality completely. Transformation and decarbonisation, which were supposed to be the main source of success in the coming time, suddenly came into question. The drastically increased prices of raw materials put a heavy burden on the business of our European competitor on the sheet metal market, GOES (ThyssenKrupp), which is also the largest German steel producer, as it turned out that it had previously sourced a large part of its raw materials from Russia.

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Against the backdrop of all these conditions, most of the key players on the electrotechnical sheet metal market are continuing their investments. All projects are carried out with environmental protection in mind. Reducing CO₂ emissions is a goal that all major manufacturers in the industry are trying to achieve.

China has additionally decided to extend anti-dumping (AD) duties on imports of grain oriented electrical steel (GOES) originating in Japan, South Korea and the European Union for a further five years, effective July 23, 2022. Extended AD duty rates on imports from Japan, South Korea and the EU remained unchanged. EU companies are subject to Chinese AD duties of 46.3%.

b) Toroidal cores

In 2022, the sales volume of transformer cores and fittings was 4.4% higher than in 2021, with almost 56% of sales. increase in sales revenues directly correlated with almost 50% price increase.

The sales structure did not change significantly compared to the previous year. Currently, 29% (previously 32%) is domestic sales, and 71% (previously 68%) is export sales.

Since 2021, when the CN code for transformer cores and fittings was separated, the Company has reliable information on imports and exports of this product group. In 2022, over 17.7 thousand were imported to Poland. tonnes of cores and fittings at an average annual price of PLN 19.5 thousand/t This is an increase of over 30% compared to the previous year. The import of cores and fittings is growing exponentially. Just a few years ago, imports of parts for transformers did not exceed 3,000 tonne. The main direction of imports was Turkey for another year in a row (80% of the total imports of cores and fittings) with an average price of PLN 18.9 thousand/tonne. Cores were also imported from Italy, Slovakia and Germany.

The export of cores from Poland outside our company amounted to nearly 3 thousand tonnes, and the main direction was Italy. The average export price of cores was almost PLN 15.5 thousand per tonne, which means that it was lower than the import price by almost 30%.

Table 2. Sales of transformer cores

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2021	2022	2022/2021 (%)	2021	2022	2022/2021 (%)
Country	348	323	-7,2	4 974	7 234	45,4
Export	662	731	10,4	10 795	17 329	60,5
Total	1 010	1 054	4,4	15 769	24 563	55,8

Market environment

Despite the increasingly fierce market competition, the Company managed to achieve an increase in sales volumes in 2022. It is also worth noting that some key domestic customers reported almost 50% less demand for products based on toroidal cores.

Shopping in a place where components for various types of transformers can be purchased (service centers) is still preferred, and more and more often customers, for economic reasons, look for suppliers offering the same product at more competitive prices.

2.2 Segment of Bent Sections

a) Cold-formed sections

In 2022, nearly 140,000 were sold tonnes of sections and pipes for PLN 806 million. This result means: almost 9% decrease in volume and 8.5% increase in sales value. Prices increased in the analyzed period by 21% compared to the prices obtained in 2021.

Based on the data of the Analytical Center - Tax Administration Chamber in Warsaw and HIPH, we estimate our current share in the apparent consumption of cold-formed sections on the domestic market at about 23%. The Company's share in the total domestic export of cold-formed sections was 32%.

The sales results presented above were obtained under the following market conditions (based on HIPH information in the period January - December 2022):

- a decrease in the production of cold-formed sections in Poland by 16% - to the level of 258 thousand tons;
- a decrease in the apparent consumption of pipes by 6% to the level of 1,012 thousand tonnes, including a decrease in the apparent consumption of cold
- formed closed sections also by 6% (to the level of 403 thousand tonnes);
- a decrease in imports of closed g/z sections by 5% (276,000 tonnes), and the current main directions of import are: for sections with a thickness of walls less than 2 mm: Ukraine (22%), Belarus (19%, imports until May 2022) and the Czech Republic (11%); for sections with a thickness of walls over 2 mm Italy (31%), Romania and Bulgaria (both 11%);
- a decrease in the export of cold-formed closed sections by 23% (131 thousand tonnes).

Table 3. Comparative summary of sales of cold formed sections

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2021	2022	2022/2021 (%)	2021	2022	2022/2021 (%)
Country	105 136	97 719	-7,1	520 859	554 167	6,4
Export	47 758	41 991	-12,1	222 086	251 858	13,4
Total	152 894	139 710	-8,6	742 945	806 025	8,5

Produkcja rur stalowych w UE

Due to war disruptions and supply chain problems in the third quarter, the previously noted positive trend in the European pipe sector has faded. After six consecutive quarters of growth, production decreased in the third quarter of 2022 (-0.5% after an increase of approx. 3.8% in the previous quarter).

After rebounding by 10.9% in 2021, in 2022, due to a much worse situation in the second half of the year, only a moderate increase in production in the pipe sector is expected (+1.9%), a slight increase is forecast for 2023 decline (-1.9%), and a moderate increase (+1.5%) is projected again in 2024.

The price situation in 2022 was completely unstable. After a period of high growth, prices fell quickly, producers were left with high stocks of expensive input material, and demand began to fall rapidly.

In 2020, production in the EU steel tube industry was heavily affected by industry shutdowns due to,

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among others, pandemic. Similarly for other steel-using sectors, the rebound seen in the first three quarters of 2021 weakened in the fourth quarter of 2021 as a result of severe global supply chain issues. Disturbances related to Russia's war in Ukraine caused further problems and further delays in ongoing projects and affected the availability of materials. There is no long-term growth forecast for large welded pipe demand from the oil and gas sector. Despite the revival in global oil demand, commissioning or deployment of new pipelines is not expected to accelerate in the short term due to high geopolitical uncertainty. Oil demand is likely to fall in 2023 and 2024 in the EU, also as a consequence of lower economic growth.

Eurofer also forecasts that the demand for pipes from the automotive and engineering sectors will remain relatively weak.

On the other hand, from our point of view, the automotive sector creates positive prospects. The transition to electric cars requires changing the huge amount of steel pallets used to transport car parts. This sector is the only one with an optimistic outlook for the next 3 years. This is due to the large number of launches of new models, and it is only about a year after the launch that it is possible to assess whether a given model is a success and will be further developed or not. Pallets will be produced during this time.

Eurofer forecasts that demand from the construction sector alone will continue to contribute to a moderate increase in the production of pipes and sections. Currently, the construction sector is in great decline. This applies to both scaffolding manufacturers (initial investment stage) and, for example, radiator manufacturers (final investment stage).

When discussing the situation in the closer environment, it should be noted that another huge transfer of funds from the State Treasury for two companies of the Węgłokoks Group, i.e. Huta Łabędy and Huta Pokój. Both companies competing with us turned out to be the main beneficiaries of a large government contract. The Polish authorities decided in 2021 that the supply of steel profiles for the construction of the 187-kilometer dam on the Polish-Belarusian border will be entirely provided by the Węgłokoks Group. In the first half of 2022, the construction of the border wall was completed. 51,000 tonnes of steel were used to build the dam, from which 37,000 spans were produced.

b) Road barriers

The total result obtained in 2022 on the sale of road barriers was 21.6% higher in terms of sales revenue and 3.6% lower in terms of volume compared to the results obtained in 2021. Prices increased by 26%.

The results of increases in domestic sales were better than in exports, and the total result is determined by domestic sales due to the current sales structure, i.e. the share of domestic sales in total sales of barriers is two-thirds of total sales.

In the case of export sales, 15% was obtained increase in revenues with a decrease in volumes sold by 0.7%; prices accordingly increased by 24%.

Compared to the increases in the prices of input materials and zinc, the increases in prices of final products in the group of steel barriers were not spectacular. This is directly related to the implementation of long-term contracts signed before the price boom.

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Table 4. Comparative summary of sales of road barriers

Specification	Quantity (Mg)			Net Value (thousand x PLN)		
	2021	2022	2022/2021 (%)	2021	2022	2022/2021 (%)
Country	13 037	12 813	-1,7	72 716	91 214	25,4
Export	7 049	6 556	-7,0	43 634	50 226	15,1
Total	20 086	19 369	-3,6	116 350	141 440	21,6

Market environment

Saferoad is still the biggest competitor of Stalprodukt S.A. on the European market.

All producers of barriers experienced negatively rapid changes in steel prices, but all of them - due to huge penalties in contracts - implemented the signed contracts.

The outbreak of the war in Ukraine in the first phase of its duration temporarily strengthened Stalprodukt's position on the Polish and foreign markets for the following reasons:

- lack of supplies of input materials from Russia - as it turned out, the Company's largest competitor based a significant part of its production on supplies from Russia, and due to the outbreak of war, it was unable to accept new orders practically throughout the second quarter of 2022 and confirm their implementation in the third and fourth quarter 2022;
- termination of cooperation by customers with a Russian manufacturer of barriers - the Company was particularly affected by this in the case of customers from Poland and the Baltic countries. However, at the end of 2022, this company again began to offer its products from material probably coming from Kazakhstan and the Company felt it in the form of a decrease in the level of orders placed by customers.

c) Products of the Sheet Metal Service Centre

In 2022, 11.9 thousand were sold tonnes of sheets for PLN 61.6 million, which means a decrease in the volume by 13.6% compared to 2021 and a decrease in the value of sales by 2.4% compared to the previous year. Prices increased by 13%.

Imports of both hot-rolled and cold-rolled sheets in 2022 decreased compared to 2021 - the former by 11% and the latter by 22%, respectively. The prices of imported sheets increased by approximately 25% compared to the previous year.

The main directions of import of hot-rolled strips and sheets in 2022 are: Slovakia (25%), Germany (16%), Czech Republic (16%) and Italy (12%). The average price for 2022 is PLN 4,863/MT.

The main directions of import of cold-rolled strips and sheets are: Germany (37%) and Austria (10%). The average price per tonne in 2022 is PLN 5,159.

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Table 5. Sales of steel service centre products

Specification	Quantity (Mg)			Net Value (PLN '000)		
	2021	2022	2022/2021 (%)	2021	2022	2022/2021 (%)
Country	12 775	11 191	-12,4	59 277	57 404	-3,2
Export	940	664	-29,4	3 903	4 230	8,4
Total	13 715	11 855	-13,6	63 180	61 634	-2,4

Competitive situation

In 2022, high average prices significantly increased the revenues of many distributors, but warehouse management proved to be a great challenge with such high price fluctuations throughout the year. The economic environment was equally difficult for all companies.

Major distributors expect global steel markets to increasingly normalize this year. A stronger demand trend is expected in key European and US markets.

2.3. Segment of other activities

The segment of other activities, mainly covering the sale of goods, recorded a decrease in revenues in 2022 by 14.7% compared to 2021.

2.4. Assortment structure of sales of the Capital Group with division into operating segments

The structure of sales in 2022 did not differ significantly from the structure in 2021. The over 60% increase in sales revenues was mainly due to the increase in prices, and differences in the structure of sales of individual product groups in 2021 and 2022 were insignificant.

Table 6. Assortment structure of sales of the individual operating segments

Assortment	2021		2022	
	value (PLN thousands)	share (%)	(PLN thousands)	share (%)
Transformer steels and strips	675 050	41,4	1 216 436	53,0
Toroidal cores	15 769	1,0	24 563	1,1
Cold formed profiles	742 945	45,5	806 025	35,1
Road safety barriers	116 350	7,1	141 440	6,1
Steel service centre products*	63 180	3,9	61 634	2,7
Others	7 783	1,1	43 996	2,0
Total	1 631 871	100,0	2 294 094	100,0

* hot and cold rolled sheets and strips

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2.5. Revenues and results of individual operating segments of the Stalprodukt S.A. Capital Group

OPERATING SEGMENTS			
Steels Segment	2021	2022	Zmiana (2022/2021) (%)
Segment revenues <i>thousand x PLN</i>	695 800	1 274 608	83,2
Segment result <i>thousand x PLN</i>	145 070	360 408	148,4
Segment margin %	20,8	28,3	
Profiles Segment			
Segment revenues <i>thousand x PLN</i>	922 475	1 009 099	9,4
Segment result <i>thousand x PLN</i>	126 830	56 235	-55,7
Segment margin %	13,7	5,6	
Segment of other operations			
Segment revenues <i>thousand x PLN</i>	379 575	435 544	14,7
Segment result <i>thousand x PLN</i>	12 925	20 350	57,4
Segment margin %	3,4	4,7	
Operating segments in total			
Segments' revenues <i>thousand x PLN</i>	1 997 850	2 719 251	36,1
Segments' result <i>thousand x PLN</i>	284 825	436 993	53,4
Segments' margin %	14,3	16,1	

The revenues of the Electrical Sheets Segment increased by 83.2% compared to 2021, and the Segment's result increased by 148.4%. The Segment's margin increased from 20.8% to 28.3%. In the case of the Curved Profiles Segment, the level of revenue increased by 9.4% compared to 2021, the Segment's result recorded a decrease by almost 56%, which translated into a decrease in the margin from 13.7% to 5.6%. The other activities segment recorded an increase in revenues by 14.7%, while its result increased by 57%, with an increase in the margin to 4.7% (from 3.4% in 2021).

Sources of supply of materials for production

Almost 90% of purchases made by Stalprodukt are hot and cold rolled steel coils. Purchases of this material are made directly in steel works. ArcelorMittal Europe - Flat Products has been the largest supplier for the company for several years. These materials are used in the basic production processes implemented in the Company related to the production of: electrical transformer steels, cold formed sections and road barriers. It should be emphasized that materials intended for the production of individual products differ from each other in technical parameters, i.e. chemical composition, steel grade, thickness and width of coils, etc.

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Hot and cold rolled steels are also used in the service centres owned by the Company, which perform longitudinally cutting operations (into strips) or transversally ones (into sheets). As part of the adopted specialisation, the service centre for hot rolled steels is located in Bochnia, while the service centre for cold rolled steels is located in Tarnów.

The material in strips is mainly used for internal needs of Stalprodukt, it is the charge for profiling lines for the Company's production departments located in Bochnia (Dept P2), in Kraków (Dept P3) and in Tarnów (Dept P4). In turn, sheets in sheets are sold only to Stalprodukt's external customers.

In 2022, the ArcelorMittal Group with a share of 77.3% remained the main supplier of charge material for Stalprodukt, with the value of supplies exceeding 10% of the individual sales revenues.

3. Assessment of the economic and financial situation

Basic economic and financial figures

In 2022, revenues from the sale of products, goods and materials amounted to PLN 2,719.3 million, which means an increase of 36.1% compared to 2021. The company generated a profit at the level of operating activities in the amount of PLN 336.5 million. Net profit in 2022 amounted to PLN 398.1 million, while EBITDA amounted to PLN 389.5 million.

SELECTED FINANCIAL DATA	thousands of PLN		thousands of EUR	
	2022	2021	2022	2021
I. Net sales of products, goods and materials	2 719 250	1 997 851	580 008	436 450
II. Operating profit (loss)	336 452	232 263	71 764	50 740
III. Profit (loss) before taxation	464 831	257 350	99 147	56 221
IV. Net profit (loss)	398 121	220 063	84 918	48 075
V. Net cash flow from operating activities	229 231	-2 095	48 894	-457
VI. Net cash flow from investment activities	142 685	23 051	30 434	5 036
VII. Net cash flow from financial activities	-151 019	-61 539	-32 212	-13 444
VIII. Total net cash flow	220 897	-40 583	47 117	-8 866
IX. Total assets	2 670 230	2 434 023	569 358	529 204
X. Long-term liabilities	142 046	145 421	30 288	31 617
XI. Short-term liabilities	301 263	347 671	64 237	75 591
XII. Shareholders' equity	2 226 921	1 940 931	474 833	421 997
XIII. Share capital	11 161	11 161	2 380	2 427
XIV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XV. Profit (loss) per ordinary share (PLN)	71,34	39,44	15,22	8,62
XVI. Weighted average number of shares	5 524 271	5 580 267	5 524 271	5 580 267

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XVII. Diluted profit (loss) per ordinary share (PLN)	72,07	39,44	15,37	8,62
XVIII. Book value per share (PLN)	399,07	347,82	85,09	75,62
XIX. Diluted book value per share (PLN)	403,12	347,82	85,09	75,62
XX. Declared or paid-out dividend for one share in (PLN/EUR)	12,00	6,00	2,62	1,31

In 2022, the sales profitability at individual levels was as follows (in %):

Specification	2022	2021
Return on sales	13,8	11,9
Operating return	12,4	11,6
Gross return	17,1	12,9
Net return	14,6	11,0

Return on assets and equity is illustrated by the following values (in %):

Specification	2022	2021
Return on assets	14,9	9,0
Return on equity	17,9	11,3

Financial liquidity in a static approach is presented by the following ratios:

Specification	2022	2021
Acid test ratio	4,2	2,8
Increased liquidity ratio	2,6	1,5

In 2022, cash flows from operating activities amounted to PLN 229.2 million. Cash flows from investing activities were positive and amounted to PLN 142.7 million. On the other hand, cash flows at the financial level were negative and amounted to PLN -151.0 million and were related to the repayment of loans and the payment of dividends. The Company's assets increased from PLN 2,434.0 million (2021) to PLN 2,679.6 million (2022), i.e. by 10.1%.

Net working capital increased from PLN 638.9 million (2021) to PLN 966.2 million (2022). The value of equity increased from PLN 1,940.9 million in 2021 to PLN 2,226.9 million at the end of 2022. Its value is 83% of the balance sheet total.

Assessment of the obtained results and financial situation

In terms of the results obtained, 2022 was better for Stalprodukt than the previous year, mainly due to the increase in sales in terms of quantity and value. A significant improvement was achieved in terms of profit on sales (profit at the level of PLN 376.3 million compared to PLN 237.6 million in 2021) and operating activities (PLN 336.5 million with PLN 232.3 million in profit recorded in the previous year) .

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A similar increase was recorded in terms of gross profit on sales (by 53%) and net profit, which increased by 81% and amounted to PLN 398.1 million..

Along with the significant improvement in profitability, the financial standing of the Company remained at a good level in the reporting period.

The company did not experience any payment gridlocks, consistently implementing the adopted risk management policy. It is also not threatened with fluctuating exchange rates due to the mostly natural hedging of this risk.

In 2022, there were no significant changes in the sources of financing of assets, but there were changes in their structure. The balance sheet value of fixed assets decreased by 2%, however, the value of current assets increased by 28%.

In the group of current assets, inventories constitute 38% (in 2021 - 46%), while receivables constitute 32% (in 2021 - 35%). Short-term financial assets account for 30% of current assets (in 2021 - 17%). In the structure of assets, the share of non-current assets was 53% (59% in the previous year), while the share of current assets was 47%. The Company's assets increased by PLN 245.6 million, i.e. by 10.1%. The increase in assets was accompanied by an increase in equity by PLN 286.0 million and an decrease in liabilities and provisions for liabilities by PLN 40.4 million.

The structure of liabilities has not changed. Equity accounts for 83% of equity & liabilities, and liabilities for 17% (in 2021, 80% and 20%, respectively). The book value per ordinary share increased from PLN 347.82 to PLN 399.07.

Throughout the reporting period, the Company maintained very good financial liquidity, as evidenced by exemplary liquidity ratios and timely payment of all liabilities, both to employees and suppliers, as well as the budget and financial institutions.

The company is not excessively indebted and as at the balance sheet date it did not use the available overdraft facilities. In the opinion of the financing banks, the Stalprodukt Company has uninterrupted creditworthiness, and the results obtained and the transparent property and ownership situation allow it to obtain financing of the Company's activities in various forms.

In the reporting period, the Company renewed agreements with banks for multi-purpose credit lines aimed at securing the Company's sources of financing.

The management of financial resources should be considered correct, as evidenced by the achievement of good economic indicators used to assess the financial liquidity of the creditworthiness, as well as timely fulfillment of the contracted liabilities.

4. Assessment of factors and unusual events affecting the result of operations for the financial year, specifying the degree of impact of these factors or unusual events on the achieved result

- the European economy, and especially the Polish one, was strongly influenced by the direct and indirect effects of the war in Ukraine. This impact was particularly evident in terms of

unprecedented levels of increases in energy and natural gas costs. It resulted, among others, from from limited access to energy resources (such as coal and gas), caused by the economic sanctions imposed on Russia, which directly translated into their rapid growth. In the case of Stalprodukt, the increase in costs by type in item "consumption of materials and energy" amounted to as much as 31% in 2022;

- high energy prices were also influenced by the prices of CO₂ emission allowances, which remained at a high level (currently approx. EUR 90/tonne);
- the increase in inflation caused by the increase in energy costs translated into a general increase in the prices of many materials and finished products, which in turn was reflected in growing sales revenues. It was similar in the case of Stalprodukt, for which the increase in revenues amounted to 36.1 percent.
- In 2010, the increases in the prices of finished products ranged from a dozen or so percent (for products of service centers) to almost 70 percent. (for transformer sheets).

- **Impact of the COVID-19 pandemic on the Polish economy and the Issuer**

When assessing the impact of the COVID-19 coronavirus on the Polish economy, it should be stated that it was insignificant. It was similar in the case of Stalprodukt's operations; in 2022, no impact of the pandemic on the operations of the Company's operating segments was observed.

- **General economic situation in Poland**

Gross domestic product, according to preliminary estimates, was higher in real terms than in 2021 by 4.9% (in 2021, after a decrease related to the COVID-19 pandemic, GDP growth amounted to 6.8%). Domestic demand was the main driver of economic growth. Both consumption and investment demand had a positive impact.

Domestic demand was 5.5% higher than in 2021. Total consumption increased by 2.1%, including consumption in the household sector increased by 3.0%. Gross fixed capital formation increased by 4.6% (2.1% the year before). The investment rate was 16.8% (compared to 17.0% in 2021). Gross value added in the national economy was 4.6% higher than in 2021. Its significant increase was recorded in industry - by 7.0%. In construction, the gross value added increased by 4.5%.

A significant increase in the total sold production of industry was recorded (+9.3% y/y), although lower than the very high in 2021. In the entities employing more than 9 employees in the 4th quarter of 2022, the pace of production growth slowed down significantly. In 2022, production was higher than in 2021 in all sections, with the biggest increase in mining and quarrying.

In manufacturing, the scale of growth was close to the average in industry. An increase in sales was also observed in most major industrial groupings, including the highest in the production of capital goods; only sales in the production of durable consumer goods were slightly lower than in 2021.

Economic growth slowed markedly in the fourth quarter. Data on GDP in the fourth quarter of 2022 published in mid-February this year. by the Central Statistical Office showed a decrease to the level of 2%; in quarter-on-quarter terms, the decrease was at the level of 2.4%, which indicated

a serious "low", and by some economists, due to changes in the structure of the economy and the way real GDP was calculated, considered a recession.

- **steel production level**

Global crude steel production in 2022 fell 4.3% year-on-year to 1.83 billion tonnes, according to the World Steel Association (worldsteel). The largest producer, China, produced 1.01 billion tonnes of crude steel in 2022, down 2.1% year-on-year, and this volume represents 55.3% of the total volume of crude steel produced globally.

India, the world's second largest steel producer, increased production by 5.5% in 2022 to 124.72 million tonnes, while Japan's production fell by 7.4% to 89.23 million tonnes during the year.

U.S. production fell by 5.9% in 2022, to 80.71 million tonnes year-on-year. According to estimates, 71.5 million tonnes were produced in Russia, which means a decrease of 7.2%, mainly as a result of the Russo-Ukrainian war and related sanctions.

Production in South Korea also fell by 6.5% to 65.86 million tonnes during the year, while production from Turkey fell by 12.95% to 35.13 million tonnes.

Steel production decline in Europe

Crude steel production across Europe, including the UK, fell by 10.9% year-on-year (to 181.43 million tonnes), with Germany, Europe's largest steel producer, producing 36.85 million tonnes, down 8.4% compared to 2021

In Poland, production, according to estimates, decreased by 8.6% - from 8.5 million tonnes in 2021 to 7.7 million tonnes in 2022. It is worth noting that many European steel producers have reduced or closed production in the second half of 2022 due to high energy prices and/or low demand.

Platts, part of S&P Global Commodity Insights, estimated domestic hot rolled coil prices in Northern Europe at €680/t ex-works Ruhr on December 30, down 26.2% from early 2022.

- **demand for steel products in Europe (apparent steel consumption)**

In the third quarter of 2022, the apparent consumption of steel decreased by 11.2%, after a decrease of 4.7% in the second quarter, reaching a total volume of 32.2 million tonnes. This is the lowest level since the third quarter of 2020.

In 2021, the apparent consumption of steel rebounded by 16.3%. after a dramatic decline caused by the COVID-19 pandemic in 2020 at the level of 10.7 percent. The severe consequences of the conflict in Ukraine for steel-using industries and the deterioration of the overall economic outlook weighed on apparent steel consumption, causing a deeper-than-expected recession (-4.6%, previously estimated at -3.5%), driven by quarterly declines in Q3 and Q4 2022.

Due to the persisting downward factors (**war, energy prices, high inflation**) and the deterioration of the economic outlook for 2023, a decrease in steel consumption is also forecast in 2023, although slightly less than previously estimated (1.6% vs. 1.9%). This would mark the fourth recession in five years. In 2024, subject to more favourable developments in the industry and an improvement in demand for steel, the apparent consumption of steel should increase slightly (i.e. by 1.6%).

In any case, the overall evolution of steel demand remains subject to very high uncertainty, which is likely to continue to dampen demand from steel-using sectors for at least the first half of 2023.

European domestic deliveries reflected weak demand in the third quarter of 2022 and saw a sharp decline (down 10.5%). It was the third decline in a row (7% in the second quarter and 0.1% in the first). In 2021, deliveries increased significantly (by 11.9%), after a sharp decline in 2020 (by 9.6%), which was the second consecutive year-on-year decline after 2019 (4.2%).

Parallel to the continued and rapid decline in steel demand, EU imports - including intermediates - fell sharply (by 17.2%) in the third quarter, following an increase in the previous quarter (by 1.6%).

- **import of steel products to EU markets**

In the first eleven months of 2022, imports of finished steel products to the EU fell by 5% compared to the same period of the previous year, while in 2021 a significant increase in imports was recorded (+35%).

From January to November 2022, imports of flat products fell by 9% and imports of long products increased by 10%.

Imports were volatile in 2020, 2021 and the first eleven months of 2022, continuing the trend seen since 2019. After the outbreak of the COVID-19 pandemic, imports increased again for some products and showed some volatility in the second half of 2020, but growth became much more pronounced in 2021, especially in the second and third quarters, to a high level in historical terms. This development reflected the dynamic steel demand conditions observed until the end of 2021, while the volatility continued in the fourth quarter of 2021 and the first eleven months of 2022, reflecting the weaker demand seen since the first quarter of 2022. Import volumes declined in 2022 continuously.

In the first eleven months of 2022, the main countries of origin for steel imports to the EU market were: **Turkey, India, South Korea, China and Taiwan**. As a result of EU sanctions and war disruptions, the Russian Federation and Ukraine are no longer among the top five exporters to the EU as imports from these two countries have fallen significantly (by 68% and 49% respectively). Together, the five main exporting countries accounted for 51% of total EU final steel imports. Turkey continued to be the largest exporter of finished steel products to the EU (with a share of 15.2%), followed by South Korea (10.2%), which replaced India (9.5%) as the second largest exporter. China is the fourth largest exporter to the EU (8.9%) and Taiwan is the fifth (7.3%).

5. Information on concluded agreements significant for the Issuer's operations, including agreements known to the issuer concluded between shareholders (partners), insurance, cooperation or cooperation agreements

In 2022, the Company did not conclude any agreements significant for its operations. The Issuer's Management Board is also not aware of any insurance, cooperation or cooperation agreements concluded between the shareholders of Stalprodukt.

6. Organizational and capital links with other entities

Stalprodukt S.A., together with 10 subsidiaries, forms the Capital Group. Stalprodukt holds 100% of shares in subsidiaries, except for Zakłady Górniczo-Hutnicze "Bolesław" S.A., in which it holds 94.93% of shares.

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Stalprodukt S.A., as the parent company in the group, sets the directions for the activities and development of subsidiaries established as part of the restructuring and taken over in order to expand production, trade and service activities.

The main activities of the companies from the Capital Group are:

- production of electrical transformer sheets - parent company Stalprodukt S.A., GO Steel a.s.,
- production of cold-formed sections, protective road barriers as well as cut, cold- and hot-rolled sheets and strips - the parent company Stalprodukt S.A.,
- mining of non-ferrous metal ores and production of zinc and lead - ZGH "Bolesław" S.A. together with its subsidiaries:
 - Zinc Smelter "Miasteczko Śląskie" S.A. - production of rectified zinc, lead and cadmium,
 - Boltech Sp. z o.o. - energy, laboratory and mechanical-construction services, transport, equipment and forwarding services, production of dolomite aggregates, zinc products and zinc alloys,
 - Gradir Montenegro d.o.o. - zinc-lead ore extraction and concentrate production,
 - Agency for the Protection of People and Property "Karo" Sp. z o. o - protection of property and people,
- commercial activities:
 - Stalprodukt-Centrostal Kraków Sp. z o.o., (from 29.09.2021 in liquidation),
 - Stalprodukt-Zamość Sp. z o.o.
- other production and service activities:
 - production of lightning conductors, galvanized wires and steel tapes - Cynk-Mal S.A.,
 - production of cold-rolled sheets - GO Steel a.s.,
 - production and regeneration of spare parts - Stalprodukt-Wamech Sp. z o. o.,
 - installation, repairs and maintenance of machines - Stalprodukt-Wamech Sp. z o. o.,
 - production of steel structures - STP Elbud Sp. z o. o., Stalprodukt-Wamech Sp. z o. o.,
 - galvanizing services - STP Elbud Sp. z o. o. and Cynk-Mal S.A.,
 - construction, maintenance of roads and highways - Stalprodukt-Wamech Sp. z o. o.,
 - protection of property and people – Stalprodukt-Ochrona Sp. z o. o.,
 - designing of devices related to the use of renewable energy sources - AnewInstitute Sp. z o.o.,
 - Hotel Ferreus Sp. z o.o. - hotel services.

a) Due to the completion by the Company of the construction of the 5-star Ferreus Hotel in Kraków, on March 9, 2021, the articles of association of the company Hotel Ferreus Sp. z o.o. were drawn up. The share capital of this company is PLN 500 thousand and is divided into 500 shares with a nominal value of 1 thousand PLN each, which were fully covered by Stalprodukt S.A. as its sole partner.

On June 17, 2021, the National Court Register registered the company. The company Hotel Ferreus Sp. z o.o. was established to conduct hotel activities on the basis of a lease agreement for the facility in question. Due to the coronavirus pandemic, the Company withheld the launch of the hotel.

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The hotel finally launched its operations in September 2022. The Issuer's Management Board finally decided to conduct hotel operations directly through Stalprodukt, while the operations of the special purpose vehicle established for this purpose were suspended for a period of 2 years.

6.1 Changes in the size of owned shares in related companies.

In 2022, there were no changes in the amount of shares held in related entities.

7. Transactions concluded by the issuer or its subsidiary with related entities on terms other than market terms

Transactions with related entities in 2022 concern:

- sale of products and goods to companies from the Stalprodukt Capital Group,
- provision of services for Stalprodukt S.A. by subsidiaries.

These are typical and routine transactions, performed on a continuous basis, concluded on an arm's length basis within the capital group and resulting from current operating activities. There were no other significant transactions with related entities.

8. Information on credit and loan agreements concluded and terminated in 2022

In 2022, the Company extended the validity of the following loan agreements with annexes:

- A multi-purpose credit line agreement for an overdraft facility, guarantees and letters of credit with BNP Paribas S.A. with its registered office in Warsaw, with a limit of PLN 50,000 thousand. As part of the credit limit, a company from the Stalprodukt-Wamech Sp. z o. o. may use a sub-limit of PLN 5,000 thousand. PLN. The agreement is valid until December 22, 2023.
- Credit limit at Bank Handlowy w Warszawie S.A. for a revolving line for granting bank guarantees and opening letters of credit with a revolving limit of up to PLN 65,000 thousand. The line is for the amount of PLN 50,000 thousand for an overdraft facility and issuing guarantees and letters of credit with a term of up to 18 months and PLN 15,000 thousand for long-term guarantees up to 5 years. The agreement is valid until September 28, 2023,
- with Bank PKO BP S.A. with its registered office in Warsaw for a multi-purpose credit limit in the amount of PLN 150,000 thousand, intended for the use of an overdraft (up to PLN 82,000 thousand) and the opening of letters of credit and granting guarantees (up to PLN 40,000 thousand). As part of the credit limit, companies from the STP Elbud Sp. z o. o. and GO Steel a.s. may use sublimits in the amount of PLN 18,000 thousand and PLN 10,000 thousand. The duration of the Agreement: January 13, 2025,
- with Bank Pekao S.. with its seat in Warsaw for a credit line up to the total amount of PLN 100,000 thousand, for the overdraft limit (up to PLN 72,000 thousand) and for issuing guarantees and opening letters of credit (up to PLN 10,000 thousand). As part of the credit limit, companies from the STP Elbud Sp. z o. o. and Cynk-Mal S.A. may use sublimits in the amount of respectively: PLN 13,000 thousand and PLN 15,000 thousand. The duration of the Agreement: September 30, 2023,

- with Bank Societe Generale S.A. with its seat in Warsaw for a multi-purpose credit limit in the amount of PLN 15,000 thousand, allotted to using an overdraft facility, opening letters of credit and granting guarantees (up to PLN 5,000 thousand). The duration of the Agreement: May 31, 2023.

9. Information on loans, sureties and guarantees granted by the Company in 2022

As at the balance sheet date, the Company does not have any contingent liabilities other than due to performance guarantees relating to the production and installation of road barriers. As at December 31, 2022, the total amount of unexpired guarantees in this respect is PLN 22,394 thousand.

10. Information on the use of proceeds from the issue by the issuer

As a result of the settlement of the first tranche of the purchase of shares offered in response to the "Offer to purchase Stalprodukt S.A. shares", announced on September 1, 2022 and the second tranche announced on November 16 this year ownership was transferred and the purchase of 180,669 treasury shares by the Company was settled. The transfer of ownership of shares between the shareholders and the Company took place outside the regulated market through Dom Maklerski BDM SA with its registered office in Bielsko-Biała and settled within the depository and settlement system of the National Depository for Securities S.A.

The basis for the purchase of shares was the authorization granted by the Ordinary General Meeting of Stalprodukt S.A. on June 23, 2022 (Resolution No. XLI/14/2022 on the purchase by the Company of its own shares for redemption). The purpose of the buyback of own shares is their redemption and reduction of the Company's share capital.

11. Information on own shares owned by the Company

The issuer did not have own shares during the accounting period.

12. Information on branches owned by the Company

The company has two branches, being production departments of cold formed sections:

- a) Stalprodukt S.A., Formed Profiles Department P3, ul. Nad Drwiną 10, 30-741 Kraków
- b) Stalprodukt S.A., Formed Profiles Department P4, Al. Piaskowa 122, 33-100 Tarnów

13. Explanations of differences between the financial result reported in the annual statement and the previously published forecasts of results for a given year

The Company does not publish forecasts.

14. Assessment of financial resources management

The management of financial resources should be considered as correct, as evidenced by the achievement of good economic ratios and maintaining financial liquidity and creditworthiness, as well as timely performance of liabilities.

15. Information on financial instruments

Detailed information on financial instruments in the scope of:

- a) risks: related to changing prices, loan, major obstructions to cash flow and cash flow loss, to which the entity is exposed,
- b) goals and financial risk management methods adopted by the entity, including hedging methods for crucial types of intended transactions to which hedge accounting is applied have been included in the Stalprodukt S.A. Financial Statement (Section 8. Financial Instruments and Risk Management Assessment).

16. Assessment of possibility to implement the intended investments

The current, broad investment plan in the organic development of the Company (increase in the production of transformer steels, new lines for the production of sections, equipment for service centres) was implemented entirely from the developed own resources.

The amount of depreciation write-offs and planned financial results indicate that there is no threat in the implementation of further intended investments.

17. Investment activities and research and development works

17.1 Investment activities

- **Investments in the scope of expanding the production range:**
 - in 2022, no investments of this type were carried out.
- **Investments in the field of construction works:**
 - the construction of settlement plots for the needs of the sewage treatment plant was completed,
 - construction of the raw water heating station in the Power Department was completed,
 - the customs yard was modernized.
- **Projects affecting the environment and occupational health and safety:**
 - the construction of three new settlement plots with infrastructure was completed and the use permit for the facility was obtained,
 - the task related to the price of compliance of line safety systems in BP and DP is continued,
 - automation of the core winding process - purchase of a winder; a new device was contracted to eliminate the need to operate during the core rolling process. Delivery in 2023,
 - the second stage of the task related to the modernization of emergency lighting was completed in the halls of the P2 Faculty,

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- the implementation of the task related to the installation of a sound-absorbing cabin on the battery of the aggregate No. 12/P2 was completed,
- the implementation of the task related to the construction of a photovoltaic farm located on land with a capacity of approx. 41 MWp was started,
- an electric sheet metal dryer was installed on the NT technological line, thus reducing steam consumption,
- a task related to the construction of a tri-generation source, which is ultimately to replace a coal-fired boiler house, was launched.

• **Other investment tasks:**

- the third stage of works related to the installation of the SSP Fire Alarm System for the facilities of Stalprodukt S.A. was completed,
- modernization of subsequent fields of the 6 kV switchgear was carried out,
- in the Segment of Electrical Sheets and in the Segment of Profiles, the implementation of product identification using barcodes was completed,
- in the Department of Bent Profiles P2, the task related to the construction of a fully automated emulsion shop was completed,
- the SCO system for the power grid in Stalprodukt S.A. was built,
- new overhead cranes were purchased: in the DB Segment - 1 item and in the DP Segment - 1 item,
- new equipment was made for the unit No. 12/P2,
- a task related to the change in hydrogen production technology (electrolysis) was launched,
- design works for the construction of an office building at ul. Wadowicka in Krakow.

17.1.1 Research and development works

On 21 November 2019 Stalprodukt, as the leader of the consortium (which includes the Academy of Mining and Metallurgy in Krakow as a research unit), signed an agreement with the National Centre of Research and Development, which purpose is to aid implemented by the Company R & D project entitled "Development of a non-destructive testing system carried out in a continuous manner together with the development of software controlling the operation of a linear welding machine based on the analysis of mechanical parameters of a linear welding". The project is implemented under the Intelligent Development Operational Programme The amount of financial support for expenses incurred by the Company is PLN 809 thousand, while the total value of the project is: PLN 4,071 thousand.

The aim of the project is to develop and implement a comprehensive non-destructive testing system into production technology, enabling adjustment of the parameters of the process of welding sections with high-frequency currents to ensure high quality and strength of section welding without the need for random destructive tests.

In 2020, the implementation of this project began in accordance with the scope specified in the signed contract. In March 2020, Stalprodukt received the first tranche of funding, and in October another one. The total value of funds provided in 2020 by the NCBiR for the implementation of the project was PLN 1,084 thousand, of which PLN 491 thousand went for AGH. In 2021, the work continued.

In 2022, the works were continued and the following works were carried out:

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- on March 10, 2022, an application No. P.440599 was filed at the Patent Office of the Republic of Poland regarding the grant of a patent for the invention: "Control set for automatic positioning of devices performing measurements at the high-frequency welding point";
- on June 15, 2022, an Annex to the agreement POIR.01.02.00-00-0091/19 was concluded, taking into account the changes introduced in the above-mentioned application No. 01/2022;
- equipment and measurement tools necessary for conducting research were purchased.

As part of the research and development works, the modernization of the M-1 wind farm with a vertical axis of rotation with a capacity of 200 kW was completed (assembly of 6 high-speed generators and modification of the control software). Further work and research are being carried out at the power plant to increase its efficiency.

After the repair work of the 1.5 MW B-1 wind power plant was completed, a technical inspection of the power plant was carried out and testing of its operation was started in order to determine the actual power curve and implement the vibration measurement system.

18. Information on employment, payroll and training

Detailed information on employment, its structure, level of salaries and training is included in the non-financial information statement.

19. Information on the adopted development strategy of the issuer and its capital group and activities undertaken as part of its implementation in the period covered by the report, along with a description of the issuer's development prospects at least in the next financial year

For many years, Stalprodukt has been planning to strengthen its position on the transformer sheet market. This operating segment is of key importance in terms of its impact on Stalprodukt's individual results. A few years ago, the Issuer signalled the possibility of taking over one of the foreign producers of transformer sheets. Such a potential step was assumed in the directions of development of the Stalprodukt Capital Group for 2011-2015 announced by the Management Board of the Company in May 2011. This scenario of the strategy implementation became possible in 2017, when a 100% purchase agreement was signed. shares of GO Steel Frydek Mistek as based in the Czech Republic, belonging to the ArcelorMittal concern. The transaction was successfully closed on February 28, 2018, and from March 1, 2018, the results of this entity are consolidated within the Stalprodukt Group. The consequence of this takeover is the increase in the production capacity of transformer sheets from 100 thousand. t / year up to 150 thousand. tonnes / year, as well as extending the Group's production offer with previously unproduced cold-rolled sheets. Actions were taken to use the synergy effects between Stalprodukt S.A. and GO Steel Frydek Mistek a.s. Among other things, the marketing and pricing policy within the Group, and the purchases of input materials for both companies are made jointly from the same supplier (using the economies of scale). Moreover, thanks to the transaction, Stalprodukt gained access to cold-rolled sheets, which are used for the production of cold-formed sections.

For several years, the company has also been implementing a project to launch the production of high-quality transformer sheets (so-called HiB). Thanks to regular trials and continuous improvement of the process, the Company systematically gains an increase in the share of products with the highest quality

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parameters. Due to the ever faster changes in market trends and the shift in demand in favor of high grades (HiB), the Management Board plans to make the most of its production capacity in this product area from 2022.

This issue is particularly important from the point of view of the EcoDesign Directive, and especially the entry into force in July 2021 of its 2nd stage (the so-called Tier 2), which will force an even wider use of transformer sheets in the highest grades.

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

“Assumptions for the directions of strategic activities of the Stalprodukt S.A. Capital Group for the years 2023-2030” were created, among others, by as a result of the review of strategic options carried out by the Company, the commencement of which was announced by the Issuer in Current Report No. 20 of October 9, 2020. The unstable period related to the pandemic, market turbulence, intensifying the state of general uncertainty was definitely not conducive to such a process, especially in terms of searching for partners for long-term cooperation.

The new directions of development of the Stalprodukt Group are also the result of the assessment of complicated external conditions and the resulting prospects for the future. It was this assessment that had a decisive influence on the shape and assumptions of the presented document.

The assumptions for the directions of development regarding the Capital Group will be discussed in more detail in the consolidated report, while this point will present the directions of development of the parent company.

The basic risks defined in the Company's operations include, among others:

- possible restrictions in the supply of electricity and raw materials;
- the risk of significant increases in the costs of purchasing electricity and natural gas;
- further tightening of regulations regarding climate policy, especially the introduction of a new greenhouse gas emission reduction target (a 62% decrease in CO₂ emissions for sectors covered by the EU ETS by 2030 is a serious challenge for energy-intensive entities in the coming years),
- effects of introducing the so-called border carbon tax (CBAM), including withdrawal of free CO₂ emission allowances.

The main goals to be achieved by the Company are:

- improvement of energy efficiency (eg by installing a cogeneration source with a capacity of approx. 7 MW, reconstruction of technological lines),
- decarbonisation of production (e.g. by eliminating the use of steam coal, replacing "grey" hydrogen with the so-called "green", building own renewable energy sources).

Measurable goals in the area of steel processing include, first of all, reduction of CO₂ emissions (in terms of direct and indirect emissions in total) by 72,000 tonnes/year, i.e. by 55%, and reducing the demand for electricity by 30%.

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The total expenditure on projects for the steel processing area alone will amount to approx. PLN 0.5 billion in the period until 2030.

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

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

The investment will be implemented in 2 stages:

- **1st stage: construction of 38,000 m² of office space and approx. 90 thousand m² of premises for rent in the PRS formula,**
- **2nd stage: additional approx. 45,000 m² of office or residential space (depending on market conditions).**

The total cost of construction of stage 1 is estimated at approx. **PLN 1 billion**, while the total annual revenue of stage 1 is **min. PLN 125 million**.

The Management Board of Stalprodukt, despite the planned ambitious investment projects, intends **to continue the adopted policy of regular dividend payment**, which assumes allocating 15 to 25 percent of the company's income for this purpose unit net profit.

20. Characteristics of external and internal factors significant for the development of the Issuer's enterprise and its Group

External factors significant for the Group's development

- **GDP level and economic situation**

The general economic situation in Poland and its prospects have a significant impact on the development of the Company, therefore the GDP level is a good reflection of Stalprodukt's potential.

The forecasts of various economists show the assumption that the Polish economy will slow down in 2022. While in the first quarter the growth rate should exceed 5%. Due to the strong results of the industry, the growth in consumer spending is slowing down, and the rapid increase in the prices of building materials begins to weigh on investments. Weaker growth in domestic spending will probably be compensated by high foreign demand. Therefore, in the second quarter, GDP growth is assumed to be close to 4%, and for the entire year 2022 at the level of 4.3%.

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- **exchange rates**

Forecasts for the Euro exchange rate at the end of 2022 range from PLN 4.30 to PLN 4.95. Although none of the market experts assumes that the level of PLN 5 per euro will be exceeded, on the other hand, no one expects the zloty to return to its pre-vid form, i.e. the euro exchange rate below PLN 4.40. 15 out of 24 current forecasts from the Bloomberg database assume that the Euro will remain in the range of PLN 4.40-4.60. **Only five forecasters are betting on a further weakening of the zloty**, i.e. an increase in the Euro exchange rate above PLN 4.61 at the end of 2022.

- **Inflation**

The inflation peak in 2022 is expected at 12.1 percent in III quarter, this results from the central path of the inflation projection of the National Bank of Poland (NBP). According to the bank's projection, inflation will decline in the coming years, but by the end of the projection horizon (2024) it will exceed 3.5% on an annual basis.

The projection was prepared under the assumption of the unchanged NBP interest rates taking into account the data available until March 7, 2022. Meanwhile, on March 8, the Monetary Policy Council (MPC) raised interest rates - by 75 basis points in the case of the reference rate (from 2.75% to 3.5%), and on April 6 - by another 100 basis points (to the level of 4.5%).

According to the new projection, consumer inflation in 2023 will amount to 9% and 4.2 percent in 2024. According to the November projection, consumer inflation was to amount to 5.8 percent in 2022 and 3.6 percent in 2023.

The main argument for such a development scenario is, inter alia, dynamic growth of energy commodity prices in the world markets, as a result of sanctions imposed on Russia, which will cause that the currently observed high level of inflation will increase in the coming quarters.

In the longer term - along with the slowdown in GDP growth - the pace of inflation growth should decline.

Recent data indicate that the level of inflation in practice will be even higher than assumed in the above forecasts. According to GUS data for March 2022, inflation increased by as much as 11% annually.

- **Forecast for sectors using steel for 2021-2022**

Total steel-using sectors are expected to rebound in 2021 (+ 8.5%, revised downwards from + 9.3% in earlier forecast) and to grow more moderately in 2022 (+ 4.7%) , after a sharp drop (-10.4%) recorded in 2020 due to a very low level of production.

The most important internal factors of the Company's development include:

- good conditions for further development of high grades of transformer sheets thanks to the decision of the European Commission to extend (for the next 5 years) measures to protect the EU market against excessive imports of sheets from the People's Republic of China, Japan, the Republic of

Korea, the Russian Federation and the United States of America;

- the need to further optimize costs (especially in terms of reducing the cost of electricity consumption);
- optimization of internal processes.

Influence of the war in Ukraine on the economy of Poland and the European Union

It should be noted that the above forecasts referred to in this Report on the Management Board's activities were prepared before the outbreak of the war in Ukraine. This fact will certainly have a huge impact on the economy of the European Union (and therefore Poland) in many of its aspects and areas, but the actual and potential effects of this event are difficult to estimate today.

However, the first three weeks of the Russian invasion of Ukraine have already caused dramatic effects on all possible levels - from the tragedy of the Ukrainian nation resulting from many casualties among the civilian population, enormous damage to civil infrastructure and facilities, to the economy, including disruptions to key markets in the flow of strategic goods and raw materials. (oil, gas, iron ore, coal, non-ferrous metals, steel, etc.), financial flows (blocked exchanges, bank sanctions) or information flow (blocked social media sites, hacker attacks).

Goldman Sachs expects slower economic growth in Poland and other countries in the region in 2022 due to weakening their currencies and rising commodity prices, according to the bank's latest report on March 2, 2022.

In the case of Poland, the Bank lowered its forecast for this year's economic growth from 5.9 percent. up to 5.5 percent. Due to the expected higher inflation of 8.2 percent including and 5.0 percent next year, it also expects a higher interest rate in Poland. The maximum is to reach 5.5 percent, previously forecasted 5.0 percent (currently it is 2.75%).

Goldman Sachs emphasizes that the assessment of the impact of the war in Ukraine on the economic growth of Poland and other CEE-4 countries (Czech Republic, Hungary and Romania) is highly uncertain - not only because of the uncertainty surrounding the conflict itself, but also because it will result possibly both positive and negative effects, the report said.

On the one hand, higher commodity prices will slow down economic activity, and the conflict will have a negative impact on the moods of business and households. On the other hand, the influx of refugees can have a significant positive impact on GDP.

More information on the impact of the war on the situation of the Company in the point entitled "Information on the actual and potential impact of the war in Ukraine on the Issuer's operations."

21. Description of significant risk factors and threats, specifying the extent to which the Issuer and its Group are exposed to

a) macroeconomic environment

20. Characteristics of external and internal factors significant for the development of the Issuer's enterprise and its Group

20.1 External factors significant for the development of the Company

- **GDP level, economic situation in Poland, the EU and in the world**

The general economic situation in Poland and its prospects have a significant impact on the development of the Company, therefore the level of GDP is a good reflection of Stalprodukt's potential.

In the general opinion of economists, economic growth in 2023 in Poland will be low. GDP growth estimates range from 0.1% (according to PKO BP analysts), through 0.4% growth (forecast of the European Commission), up to 1.2% (according to Credit Agricole). However, the vast majority of forecasts assume GDP growth below 1%. The main reason for such a poor result is supposed to be low consumer demand. In turn, the reason for its decline is the decrease in purchasing power caused by the increase in inflation. Only a fall in inflation will improve the situation of consumers, which - unfortunately - may not happen until the end of this year. A significant improvement in the economic situation and GDP growth can be expected only in 2024, and the projected growth will range from 2.5% (EC forecast) to 3.4% (S&P forecast).

In addition, according to the EC forecast mentioned above, the average GDP growth in the entire EU in 2023 is to amount to 0.8% (compared to 0.3% forecast for autumn 2022). This means that for the first time since joining the EU, GDP growth in Poland may be lower than the EU average.

- **Inflation**

The EC's forecasts predict that inflation (HICP) will start to decline significantly from Q2 this year, reaching single-digit values already in the fourth quarter of this year. (7.5%). The average annual inflation in according to the EC, it will fall to 11.7%, and in 2024 it will fall significantly to 4.4%. Despite the government's actions aimed at limiting the increase in energy and gas prices, the growth rate of energy prices this year will remain at an elevated level.

According to the EC, core inflation will remain under the influence of high wage growth and expansionary fiscal policy, although the fall in wholesale energy prices and some deterioration of the situation on the labour market will gradually curb inflationary pressure, especially at the end of the forecast horizon.

- **Demand for the Company's products (forecast for steel-using sectors for 2023-2024)**

Total production in steel-using sectors in 2021 rebounded by 6.8% after a sharp decline recorded in 2020 due to the impact of the pandemic (-10.2%). The forecast for the full year 2022 predicted that the production of steel-using sectors would increase in 2022 at a slightly faster pace than the original forecasts (+2.1% vs. +1.9%).

On the one hand, growth in the second and third quarters was stronger than expected as production growth proved solid and resilient despite the outbreak of war in Ukraine and the related disruptions. On the other hand, the rapid deterioration of the global industrial and economic outlook, combined with the long-term effects of rising energy costs, contributed to a decline in production in the last quarter of 2022.

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As a result of these downward factors likely to continue in the first two quarters of this year, production is expected to decline in 2023 (-0.6%). This would be the second SWIP recession since 2013, following the experience of 2020 due to the pandemic. Production in 2019 was virtually flat.

Based on the current scenario, the economic and industrial outlook should improve gradually starting from Q2 2023 before reaching moderate growth in 2024 (+1.8%) thanks to improved economic confidence and some recovery in the industrial cycle.

Other significant external factors include:

- possible disruptions in supply chains and the availability of materials and services, exchange rate developments,
- changes in the prices of feedstock and prices for the Company's products and the appropriate correlation between both prices,
- the risk of another global financial and/or economic crisis.

20.2. Internal factors significant for the development of the Company:

- maintaining liquidity and stable external financing (necessary due to the persistence of inflationary pressure affecting the increase in costs),
- conducting a conservative policy in the field of credit risk and receivables management,
- controlling fixed costs throughout the organization,
- further optimization of work organization and internal processes within the entire organizational structure of the Company.

21. Description of significant risk factors and threats, specifying the extent to which the Issuer is exposed to them

a) macroeconomic environment

The market environment remains unfavourable for the Company. In addition to the ongoing war in Ukraine and its multiple effects, high inflation and economic downturn will remain a serious problem in 2023, which will be reflected in the decline in Gross Domestic Product. As a result, the economic activity of many entities, including the Company's clients, will decrease, which will translate into a decrease in orders placed and sales.

b) volatility of electricity and gas prices

Due to the nature of the technological processes used, Stalprodukt is an energy-intensive company. Rising electricity prices due to the outdated energy infrastructure in Poland, based mainly on coal-fired energy, will negatively affect the Company's profitability in the coming years. The reasons for this are e.g. CO₂ emission allowances, which additionally increase the cost of purchasing electricity. It should be noted that the outbreak of the war in Ukraine caused a drop in EA prices to the level of EUR 58/tonne, but it was short-lived, and then their prices began to grow steadily again. The year 2022 brought a continuation of the upward trend in the prices of CO₂ emission allowances, which

resulted in an increase in EUA quotations to historically maximum levels exceeding EUR 100 per tonne of CO₂ emissions at the beginning of 2023.

Natural gas prices increased several times in 2022, mainly due to a reduction in supply by cutting off supplies (as a result of the war) of this commodity from the Russian market. Favourable weather conditions during the winter meant that the European and Polish economies coped (mainly due to LNG gas supplies from the USA and other directions) with the existing restrictions. However, the crisis has not been completely averted and the risk of significant price increases remains high.

c) the ever-increasing costs of EU climate policy

EU and domestic steel producers are burdened with the costs of climate policy, mainly due to the need to implement significant investments aimed at reducing CO₂ emissions (decarbonisation) and the rising prices of CO₂ emission allowances. With high energy-intensive processes in the steel industry, this results in a significant increase in steel production costs and a decrease in the competitiveness of EU producers, which often leads to the phenomenon known as "carbon leakage", i.e. the transfer of production by companies to other countries with more lenient regulations on reducing emissions.

It was, among others, this factor that decided to close the raw material part of the Kraków steelworks owned by ArcelorMittal Poland S.A. This policy indirectly favours producers from outside the European Union, who are not affected by the aforementioned EU regulations.

There are serious concerns that the announcement of the introduction of a carbon footprint tax (i.e. a tax imposed on products imported into the EU) will not solve the problem of high burdens for EU producers, as their products sold outside the European Union (charged with additional fees) will be uncompetitive.

d) the risk of an industrial accident

Due to the nature of its operations and the related risks, Stalprodukt S.A. is exposed to events that may affect the safety of people and the environment. The plant is currently not classified into the category of increased or high risk of an industrial accident, as shown by *the Analysis of the Plant's application*. Despite this, the Plant declares to maintain a safety management system in which the following operate: Failure Prevention Program and elements of the management system required by the Environmental Protection Law.

In addition, the Company has a document regulating the procedure in the event of a failure - "Instruction for counteracting major industrial failures in Stalprodukt S.A. in Bochnia". The purpose of the manual is to ensure the identification and prevention of potential dangerous events that may have an impact on people and the natural environment, and to define post-emergency procedures that limit the effects of these potential events.

e) risks related to financial instruments

Other risks arising from financial instruments, i.e. credit and contract risk, liquidity risk and market risk, are described in detail in the Notes and Explanatory Notes to the Financial Statements (Item 9: Financial Instruments and Risk Management Assessment) .

22. Information on the political and economic situation in Ukraine and its actual and potential impact on the activities of the Issuer

Stalprodukt S.A. and the companies of the Capital Group do not have any assets in Ukraine. Stalprodukt conducts a very limited commercial activity with customers in Ukraine and Russia. The share of these customers in the Company's sales structure is insignificant. Sales value to countries accounted for 0.22% in 2020 and 0.25% in 2021.

For the first 2 months of 2022, until the beginning of the armed conflict, it amounted to 0.03% of sales revenue.

The main direction of supply of input materials for Stalprodukt (including, above all, hot-rolled sheets) are steel mills belonging to the ArcelorMittal concern, located in Poland and Western Europe. The Company only makes supplementary purchases of feedstock from smelters in Ukraine and Russia (this applies only to the Profiles Segment). Valuable purchases from the above countries accounted for 5.94% in 2020 and 9.73% of material purchases, respectively. For the first 2 months of 2022 until the start of the armed conflict, the value of purchases accounted for 5.96% of total material purchases. In the opinion of the Company, these values are not material items and do not have a negative impact on the Company's financial situation.

As at the date of this report, these are the only effects of the political and economic situation in Ukraine that may affect the Issuer's operations. Due to the high dynamics of the development of the situation, it is difficult to predict other possible financial effects that may occur in the long term.

23. Changes in the basic principles of managing the issuer's business and its capital group

In 2022, there were no significant changes in the management principles of the company and its capital group.

24. All contracts concluded between the issuer and executives, providing for compensation in the event of their resignation or dismissal from their position without a valid cause or when their dismissal proceeds for a reason of merging the issuer by takeover

The benefits due to Members of the Management Board in connection with the termination of their employment relationship are specified in individual employment contracts concluded with the Members of the Management Board.

According to the aforementioned contracts if the Management Board member is removed from office during the term of office, the Company is obliged to pay compensation, depending on the function performed within the Management Board, in the amount of 6- or 12-month average remuneration of the member of the Management Board.

Employment contracts also contain anti-competition clauses after the termination of the employment relationship. According to these provisions, a Member of the Management Board is obliged to refrain from activities competitive to the Company for a period of 12 months from the termination of the employment relationship.

Depending on the function performed within the Management Board, he/she is entitled to 100 percent compensation during this time or 75 percent average salary (for the first 6 months) and 50% average remuneration for the next six months.

25. Value of remuneration, bonuses or benefits paid, due or potentially due, separately for each member of the Management Board and Supervisory Board

1. Value of remuneration of executives (in PLN):

	Basic salary	Performance bonus	Remuneration due to performing functions in the authorities of subordinated entities	Total
Piotr Janeczek	865 472	217 251	132 383	1 215 106
Łukasz Mentel	623 866	173 022	123 720	920 608
Total	1 489 338	390 273	256 103	2 135 714

2. Value of remuneration of officers (in PLN):

	Allowance	Remuneration due to performing functions in the authorities of subordinated entities	Total
Stanisław Kurnik	121 479		121 479
Sanjay Samaddar	0		0
Magdalena Janeczek	127 897		127 897
Agata Sierpiska-Sawicz	117 242		117 242
Romuald Talarek	114 538		114 538
Total	481 156		481 156

The above information is consistent with the knowledge available to the Company as at the date of the statement.

26. Information on any liabilities arising from pensions and similar benefits for former executives, officers or former members of administrative bodies and liabilities under these pensions

The issuer does not have any obligations arising from pensions and similar benefits for the executives, officers or former members of the Company's administrative bodies.

27. Total number and nominal value of all stocks (shares) of the issuer and stocks and shares in the affiliated entities of the issuer, in the possession of the executives and officers of the issuer, separately for each person

27.1. Stalprodukt S.A. shares owned by executives and officers

a) executives:

Full name	Current number of Stalprodukt S.A. shares (as of 29 April 2022)
Piotr Janeczek	115 053
Łukasz Mentel	100

b) officers:

Full name	Current number of Stalprodukt S.A. shares (as of 29 April 2022)
Stanisław Kurnk	2 900

In the period from the date of submission of the previous periodic report, there were no changes in the ownership of the Issuer's shares by management and supervisory personnel.

27.2 Stocks (shares) in affiliated entities of the Issuer, owned by the executives

Members of the Management Board and the Supervisory Board did not owe any shares in the Issuer's affiliated entities.

28. Information on contracts known to the issuer (including the ones concluded after the balance sheet date), which can bring in the future changes in the proportions of shares held by the present shareholders

In the accounting period, as well as in the period after the balance sheet date, there were no contracts known to the Company, as a result of which future changes may occur in the proportions of shares owned by the existing shareholders.

29. Indication of significant proceedings pending before the court, competent arbitration tribunal or public administration authority regarding liabilities and receivables of the issuer or its subsidiary

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

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

1. regarding the suit brought by Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. in Olkusz against the Company for the payment of compensation in the amount of PLN 64,015,224.00 (File No IX GC 99/14) issued a preliminary judgment, recognizing the action of PWiK sp. z o.o. in Olkusz as justified as a matter of principle. The potential amount of the

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compensation shall be subject to further proceedings and may total the maximum of PLN 64 million. In connection with the referenced lawsuit, already in 2015, the Company formed a provision amounting to PLN 15 million. The company appealed against the judgment.

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

On 13.03.2020 the Court of Appeal in Kraków issued the judgement in the case with ref.no AGa 527/18, between ZGH "Bolesław" S.A. and Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o. o. in Olkusz, in which it dismissed the appeal of ZGH "Bolesław" S.A. against the judgement of the Regional Court in Krakow of 25.04.2018 to the case with reference number IX GC 543/13, as well as ordered that the ZGH "Bolesław" S.A. shall pay the costs of proceedings at law in the amount of PLN 8,100 for the benefit of Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. Consequently, the ruling of the Regional Court is final and binding.

The above status means that at the moment it has been ruled by a legally-binding decision that ZGH "Bolesław" S.A. is liable for damages to the Przedsiębiorstwo Wodociągów i Kanalizacji for the consequences in terms of water relations, connected to the future exclusion of the Mine Olkusz Pomorzany drainage and due to this, the discontinuation of water supply to their channels and for possible groundwater pollution.

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

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

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

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

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

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justified. On March 17, 2022, PWiK sp.z o.o. submitted another letter in the case. On April 5, 2022, the District Court in Krakow called on the parties to the dispute to consider mediation in the case.

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

Moreover, it should be mentioned that the the judgment is directly related to the issue of contingent liabilities related to the acquisition of ZGH "Bolesław" S.A., which was described in detail in the consolidated financial statements of Stalprodukt S.A. for 2013 (item 11. Settlement of the purchase price of ZGH "Bolesław" S.A.). This amount was presented in the balance sheet as at 31/12/2013 in the item "contingent liabilities due to the purchase of ZGH "Bolesław" S.A." As at December 31, 2022, the amount of provisions in the subsidiary and at the level of the consolidated financial statements covers 100% of the amount from the lawsuit. The amount was presented in the statement of financial position under short-term provision for decommissioning, recultivation and environmental repair costs.

30. Information on the control system of employee shares schemes

The Company does not operate the employee shares schemes.

31. Information on the selection of an audit firm

Indication:

a) the date of conclusion of the contract by the issuer with an audit firm to analyse or review the financial statements or consolidated financial statements and the period for which the contract was concluded

The contract with the audit firm KPE Audyt Sp. z o.o.) was concluded on 20 June 2022 for a period of two years and includes an annual audit and a review of semi-annual separate and consolidated financial statements of Stalprodukt S.A.

b) did the issuer use the services of the selected audit firm, and if so, in what period and what was the scope of these services,

The Company has not used the services of the selected audit firm before.

c) the body that selected the audit firm,

The choice was made by the Supervisory Board of the Company based on the recommendation of the Audit Committee.

d) remuneration of an audit firm paid or due for the financial year and previous financial year, separate analysis of the annual financial statement, other assurance services, including a review of the financial statement, tax advisory services and other services, provided that the obligation is considered fulfilled if the place where this information is included in the financial statement is indicated.

The remuneration for the audit company was:

- for the review of the semi-annual separate statement – PLN 25,000;
- for the review of the semi-annual consolidated statement – PLN 23,000.

In addition, the price for auditing annual financial statements shall be:

- separate financial statement – PLN 60,000;
- consolidated financial statement – PLN 30,000.

Part II. Declaration on the application of corporate governance principles in the Company

This Declaration on the application of corporate governance by Stalprodukt S.A. in 2022 has been prepared on the basis of Article 49 (2a) of the Act of 29 September 1994 on Accounting (consolidated text Journal of Laws of 2019, item 351) and § 70 (6)(5) of the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodic information provided by issuers of securities and conditions for recognising information required by the law of a non-member state as equivalent (i.e. Journal of Laws of 2018, item 757).

a) indication

- **of a set of corporate governance principles to which the issuer adheres and the place where the text of the set of principles is publicly available**

The company is subject to the corporate governance principles contained in the document "Good Practices of Companies Listed on WSE 2021". The content of this document is available on the Company's website (www.stalprodukt.com.pl), in the section "Investor relations" and the tab under the name "Corporate governance".

- **of a set of corporate governance principles that an issuer could choose to use voluntarily, and a place where the text of the collection is publicly available**

The company has not decided to adopt other corporate governance principles to apply than those presented above.

- **of all information about the corporate governance practices applied by the issuer, going beyond the requirements provided for by domestic law together with information on the practices in the area of corporate governance applied by it**

The company does not implement corporate governance practices that go beyond the requirements provided for by domestic law.

- b) to the extent that the issuer has waived the provisions of the set of corporate governance principles referred to in letter and the first and second indents, an indication of these provisions and an explanation of the reasons for this waiver**

The company did not declare the following principles and recommendations:

1.3.1. environmental issues, including measures and risks related to climate change and sustainable development issues

The Company and the Capital Group do not currently have a formally adopted development strategy. In October 2016, a development strategy for the Zinc Segment was adopted, the assumptions of which were fully implemented. In 2017, 100% of the shares of the Czech company GO Steel Frydek-Mistek a.s. were purchased, which was the implementation of Stalprodukt's strategy to strengthen its position on the transformer sheet market.

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Due to the unfavourable market environment of the steel industry and high uncertainty as to the future situation, it was difficult to formulate measurable goals of the strategy. Due to the above, the Company decided to start a review of strategic options in October 2020. The result of this review will define the main assumptions of the strategy for the coming years. However, it was announced in 2023 (i.e. in Current Report No. 3 of February 17, 2023). The Company will take into account the new circumstances resulting from the publication of new directions of strategic activities in the Statement on the application of corporate governance principles in the Company for 2023.

1.3.2. social and employee matters, concerning, inter alia, actions taken and planned to ensure gender equality, proper working conditions, respect for employees' rights, dialogue with local communities, relations with clients.

In its activities, the company takes into account the social and labour conditions aimed at gender equality and ensuring proper working conditions. Although there is no explicitly formalized strategy in this regard, the Code of Ethics adopted and binding throughout the Group applies to all of the above-mentioned issues.

1.4. In order to ensure proper communication with stakeholders, within the scope of the adopted business strategy, the company publishes on its website information on the assumptions of its strategy, measurable goals, in particular long-term goals, planned activities and progress in its implementation, determined by means of financial and non-financial measures. Information on the strategy in the ESG area should, among others:

The rule is not applied. Comment in point 1.4.1. and 1.4.2.

1.4.1. explain how climate change issues are taken into account in the decision-making processes in the company and its group entities, pointing to the resulting risks.

The Company and the Capital Group do not currently have a formally adopted development strategy (rule 1.3). In October 2016, a development strategy for the Zinc Segment was adopted, the assumptions of which were fully implemented. In 2017, 100% of the shares of the Czech company GO Steel Frydek-Mistek a.s. were purchased, which was the implementation of Stalprodukt's strategy to strengthen its position on the transformer sheet market.

Due to the unfavourable market environment of the steel industry and high uncertainty as to the future situation, it was difficult to formulate measurable goals of the strategy. Due to the above, the Company decided to start a review of strategic options in October 2020. The result of this review will define the main assumptions of the strategy for the coming years. However, it was announced in 2023 (i.e. in Current Report No. 3 of February 17, 2023). The Company will take into account the new circumstances resulting from the publication of new directions of strategic activities in the Statement on the application of corporate governance principles in the Company for 2023.

1.4.2. present the value of the ratio of equal remuneration paid to its employees, calculated as a percentage difference between the average monthly remuneration (taking into account bonuses, awards and other allowances) of women and men for the last year, and provide information on actions taken to eliminate possible inequalities in this respect, along with the presentation of related risks and the time horizon in which it is planned to achieve equality.

The rule is not applied, however, the Company will include information on the value of the remuneration ratio paid to its employees in its next Non-financial statement.

2.1. A company should have a diversity policy towards the management board and supervisory board, adopted respectively by the supervisory board or the general meeting. The diversity policy defines the goals and criteria of diversity, among others in such areas as gender, field of education, specialist knowledge, age and professional experience, as well as indicates the date and method of monitoring the achievement of these goals. In terms of gender diversity, the condition for ensuring the diversity of company bodies is the participation of a minority in a given body at a level not lower than 30%.

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The Management Board adopted the Diversity Policy for application with respect to the company's governing bodies and its key managers, however, it was not adopted by the Supervisory Board in relation to the Management Board, and in relation to the Supervisory Board, it was not adopted by the general meeting. Persons authorized to elect members of the Company's bodies take into account the diversity of the composition of individual bodies, including gender diversity, but the basic criteria are the candidates' abilities, experience and competences. However, this policy does not provide for the obligatory differentiation of the company's bodies (i.e. the Management Board and Supervisory Board) in terms of gender at the level of at least 30%. In the opinion of the Management Board, it is practically impossible to achieve such differentiation in the case of the Management Board. While this differentiation in the case of the Supervisory Board for its current term of office is even 40%, in the case of a 2-person Management Board, adopting such a postulate would mean that one of the members of the Management Board would have to be replaced by a female person or the composition of the Management Board would have to be deliberately enlarged by additional member (a female). Taking into account the fact that the composition of the management board reflects the current organizational structure (the shape of which seems optimal and has been developed as a result of many years of experience and observation) and the division of competences of individual members of the management board (who also perform specific functions in it - i.e. the general director and financial director), changes in this respect are pointless and in practice difficult to implement. Moreover, expanding the composition of the management board would also mean increasing the remuneration costs of this body of the Company, which is also not justified.

2.2. The decision-makers on the appointment of members of the management board or supervisory board of a company should ensure the versatility of these bodies by selecting persons who ensure diversity in their composition, enabling, inter alia, achievement of the target minimum minority participation rate set at not lower than 30%, in line with the objectives set out in the adopted diversity policy referred to in rule 2.1.

As in the case of the explanation included in rule 2.1, also in the case of appointment of the Supervisory Board, the competences and professional experience of the candidate should be decisive. Moreover, when selecting members of the Supervisory Board, additional criteria should be taken into account that should be met by the members of the Audit Committee (i.e. independence from the Company, knowledge of the industry in which the Company operates, knowledge and skills in the field of accounting and auditing of financial statements). The above-mentioned criteria should - in the opinion of the Company - be decisive when filling these positions. Additionally, adopting a different position and specific indicators of minority participation in the composition of both bodies of the company, the Management Board would significantly limit the competences of shareholders in this respect (in the event of the election of the Supervisory Board) and of the Supervisory Board (in the event of the election of members of the Management Board).

2.11.6. information on the degree of implementation of the diversity policy in relation to the management board and the supervisory board, including the achievement of the objectives referred to in rule 2.1.

The company did not declare the implementation of the Diversity Policy in the scope referred to in rules 2.1 and 2.2.

3.1. A listed company maintains effective systems of: internal control, risk management and supervision of compliance with the law, as well as an effective internal audit function, appropriate to the size of the company and the type and scale of activities, for which the management board is responsible.

The company has internal control, compliance with the law and risk management systems, although not all of them (e.g. the "compliance" function) are implemented within one organizational unit. However, there is no person responsible for internal audit. In the future, the Company plans to appoint an appropriate person to perform this function.

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In addition, the Company introduced a number of procedures and policies in 2018 (e.g. the Anti-corruption Policy and Whistleblower Protection, the Code of Ethics and the Procedure for whistleblowing by Corporate Whistleblowers) that support the functioning of the existing internal control and compliance systems.

3.3. A company belonging to the WIG20, mWIG40 or sWIG80 index appoints an internal auditor in charge of the internal audit function, acting in accordance with generally recognized international standards of the professional practice of internal audit. In other companies where no internal auditor was appointed to meet the above-mentioned requirements, the audit committee (or the supervisory board, if it acts as an audit committee) assesses annually whether there is a need to appoint such a person.

In accordance with the commentary to rule 3.1., the Company plans to implement an internal audit function and appoint a person with appropriate qualifications for this position.

3.4. Remuneration of persons responsible for risk management and compliance and the head of internal audit should depend on the performance of assigned tasks, and not on the short-term performance of the company.

There is no person responsible for internal audit (rule 3.1), while the remuneration of the person responsible for risk management does not depend on the performance of assigned tasks.

3.5. The persons responsible for risk management and compliance report directly to the president or another member of the management board.

The above-mentioned functions are dispersed and performed by several organizational units of the Company.

3.6. The head of internal audit reports organisationally to the president of the management board, and functionally to the chairman of the audit committee or the chairman of the supervisory board, if the board performs the function of the audit committee.

In line with the commentary to rule 3.1, the Company plans to introduce an internal audit function.

3.7. Rules 3.4 - 3.6 are also applicable to entities from the company's group that are significant for its operations, if they have designated persons to perform these tasks.

In the key entities of the Group, there are no persons assigned to perform the tasks referred to in rules 3.4-3.6.

3.8. At least once a year, the person responsible for internal audit, and in the absence of such a separate function in the company, the company's management board presents the supervisory board with an assessment of the effectiveness of the systems and functions referred to in rule 3.1, together with a relevant report.

There is no person responsible for the internal audit in the Company, therefore the Management Board presents the Supervisory Board with an assessment of the effectiveness of the systems functioning in the Company.

3.10. At least once every five years in a company belonging to the WIG20, mWIG40 or sWIG80 index, an independent auditor selected with the participation of the audit committee reviews the internal audit function.

The Company will consider applying this rule if the internal audit function is fully implemented in its structure.

4.1. The company should enable its shareholders to participate in the general meeting by means of electronic communication (e-general meeting), if it is justified in view of the shareholders' expectations reported to the company, and if it is able to provide the technical infrastructure necessary to conduct such a general meeting.

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The Company's shareholders have not submitted such a request so far. Moreover, due to the relatively low interest of shareholders in participating in the general meeting, ensuring participation in it by means of electronic communication is pointless due to the disproportionately high costs of organizing the meeting in this form.

4.3. The company provides publicly available real-time broadcast of the general meeting.

Following the rationale described in rule 4.1., the Company does not provide publicly available real-time broadcasts of general meetings.

4.9. If the agenda of the general meeting is to appoint a supervisory board member or to appoint a new supervisory board for a new term of office:

4.9.1. Candidates for members of the supervisory board should be put forward in time for the shareholders present at the general meeting to take decisions with due consideration, but not later than 3 days before the general meeting; the candidature, along with a complete set of materials relating to them, should be immediately published on the company's website;

The Company provides shareholders with proposing candidates to the Supervisory Board in time allowing them to become acquainted with their professional experience and competences, however the internal regulations of the Company do not provide for a deadline for submitting candidates, and, in the opinion of the Management Board, their introduction could violate the rights of shareholders submitting a candidacy, e.g. during the sessions of the general meeting.

5.6. If the conclusion of a transaction with a related entity requires the consent of the general meeting, the supervisory board prepares an opinion on the validity of the conclusion of such transaction. In such a case, the board assesses the need for prior consultation with an external entity, as referred to in rule 5.5.

The rule is not applied because, in accordance with the adopted regulations for concluding transactions with related entities, the appropriate consent is given by the Supervisory Board.

5.7. If the decision on the conclusion by the company of a significant transaction with a related party is made by the general meeting, before making such a decision, the company provides all shareholders with access to information necessary to assess the impact of this transaction on the company's interest, including the opinion of the supervisory board about which speech in rule 5.6.

The rule is NOT applied, because in accordance with the adopted regulations for concluding transactions with related entities, the appropriate consent is given by the Supervisory Board.

6.3. If one of the incentive programs in the company is a management options program, then the implementation of the options program should be conditioned by meeting by those entitled, within at least 3 year-time, predetermined, realistic and appropriate for the company goals, both financial and non-financial as well as sustainable development, and the agreed purchase price of shares to be earned by those entitles or the settlement of options may not differ from the value of shares from the period when the program was adopted.

No managerial options program has been introduced in the Company.

c) description of the main features of internal control and risk management systems used in the issuer' business with regard to the process of preparation of financial statements and consolidated financial statements

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The financial statements are prepared by the Head of Accounting and Tax Department based on financial data from the IFS financial and accounting system, subject to the arrangements specified in the accounting principles (policy) of Stalprodukt S.A.

From 1 January 2005, Stalprodukt S.A. prepares financial statements in accordance with the International Financial Reporting Standards adopted by the European Union, and to the extent not regulated by the above Standards, in accordance with the requirements of the Polish Accounting Act.

Substantive supervision over the process of preparing financial statements and periodic reports of the Company is performed by the Finance Director who performs preliminary control of the financial statements

and then submits them to the Management Board for final verification.

The Supervision, Corporate Affairs and Special Projects Office located in the Chief Executive Officer division, is responsible for the organisation of works related to the preparation of annual and semi-annual financial statements.

In addition, the Audit Committee operating within the Supervisory Board monitors the financial accounting process.

Annual and semi-annual financial statements are subject to independent analysis and review by expert who express their opinion on the reliability, correctness and clarity of these statements and the correctness of the accounting books that constitute the basis for their preparation. The expert auditor is selected by the Supervisory Board taking into account the recommendations of the Audit Committee.

d) indication of the shareholders holding, either directly or indirectly, substantial packages of shares, along with the indication of number of shares held by these entities, their percentage share in initial capital, number of votes resulting from them and their percentage share in the overall number of votes at the general meeting,

As at the date of this report, shareholders holding at least 5% of the total number of votes at the General Meeting of Shareholders include:

- STP Investment S.A. holding 1,529,319 shares, accounting for a 27.41 %-share in capital and 4,375,691 votes, accounting for 35.87 % of the total number of votes at the General Meeting of Shareholders and through F&R Finanse sp. z o.o. 43,807 shares, accounting for 0.79 %-share in capital and 43,807 votes, accounting for 0.36 % of the total number of votes at the General Meeting of Shareholders, i.e. the total 1,573,126 shares, accounting for a 28.19 %-share in capital and 4,419,498 votes, accounting for 36.23 % of the total number of votes at the General Meeting of Shareholders,
- FCASE Sp. z o.o. Sp. k. holding 243,410 shares, accounting for 4.36 %-share in capital and 1,217,050 votes, accounting for 9.98 % of the total number of votes at the General Meeting of Shareholders,
- Stalprodukt Profil S.A. holding 579,652 shares, accounting for 10.39 %-share in capital and 1,095,488 votes, accounting for 8.98 % of the total number of votes at the General Meeting of Shareholders.
- ArcelorMittal Sourcing a société en commandite par actions holding 1,066,100 shares, accounting for a 19.10 %-share in capital and 1,066,100 votes, accounting for a 8.74 % of the total number of votes at the General Meeting of Shareholders.

e) indication of holders of any securities that would give special control rights along with description of these rights,

There are no securities giving special control rights.

f) indication of any restrictions with regard to exercising the voting right, such as restriction in exercising the voting right by holders of a certain part or number of votes, time limitations concerning exercising the voting right or provisions, according to which, in cooperation with the Company, equity rights related to securities are separated from holding securities,

There are currently no restrictions regarding the exercise of voting rights assigned to the Company's shares.

g) indication of any restrictions on the transfer of ownership of the issuer's securities,

The A, B and E series shares issued by the Company are registered preference shares. Pursuant to § 12 (2) and (3) of the Articles of Association of Stalprodukt S.A.:

The management of registered shares requires the prior written consent of the Management Board. The decision of the Management Board regarding the consent or lack of consent should be issued within 7 days from the date of submission of the application in this case by the seller or buyer (§ 12 (2)).

In the event of failure to consent to the seller referred to in the preceding paragraph, the Management Board shall indicate the buyer of the shares within 7 days of receipt of the application (§ 12 (3)).

The remaining shares of the Company - series C, D, F and G - are bearer shares, listed on the Warsaw Stock Exchange. There are no restrictions in trading these shares.

h) description of the principles concerning appointment and dismissal of executives and their rights, in particular the right to make decision on issue or repurchase of shares

The Management Board of the Company operates based on the provisions of the Commercial Companies Code and the Articles of Association. Pursuant to § paragraph 1 of the Articles of Association, the Management Board consists of two to four persons appointed for a three-year period by the Supervisory Board as follows: The President of the Management Board is appointed by the Supervisory Board from among candidates proposed by Members of the Supervisory Board, other members of the Management Board are appointed by the President of the Management Board. The Supervisory Board dismisses members of the Management Board – with the exception of the President of the Management Board.

The President and members of the Management Board may also be appointed from outside the group of shareholders. A contract of employment with the President and members of the Management Board shall be concluded on behalf of the Company - the Chairman of the Supervisory Board or another representative of the Supervisory Board delegated from among its members.

The Management Board represents the Company outside in relation to the authorities, third parties, in court and outside the court. The President of the Management Board acting independently or two Members of the Management Board acting jointly or one Member of the Management Board acting jointly with one of the persons holding a joint proxy is authorized to make declarations of will and sign on behalf of the Company.

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The Management Board is responsible for conducting current affairs of the Company. The detailed course of action of the Management Board, as well as matters requiring a resolution of the Management Board and matters that may be dealt with on behalf of the Management Board by its individual Members, are defined in the Management Board Regulations (this document is available on the Company's corporate website). These Regulations are adopted by the Management Board itself at the request of the President of the Management Board and are subsequently approved by the Supervisory Board.

According to Article 36 of the Articles of Association of Stalprodukt S.A., reducing or increasing the share capital of the Company is within the competence of the General Meeting.

According to Article 431 of the Commercial Companies Code, the increase of the share capital requires amendment of the Articles of Association and takes place by issuing new shares or increasing the nominal value of the existing shares.

In turn, according to Article 417 § 1 of the Commercial Companies Code, redemption of shares is made at the price quoted on the regulated market, according to the average exchange rate from the last three months before adopting a resolution or when shares are not listed on a regulated market at a price determined by an expert selected by the general meeting.

i) description of the principles of changes in the Articles of Association or the issuer's company deed.

The amendment of the Articles of Association is adopted by the General Meeting. Resolutions of the General Meeting regarding amendments to the statute require a 3/4 majority of votes cast. Amendments to the Articles of Association are made in accordance with the Commercial Companies Code and are in the competence of the general meeting under the Articles of Association.

j) manner of operation of the general meeting and its basic powers as well as the description of the shareholders' rights and the manner of exercising them, in particular principles resulting from the regulations of the general meeting, if such regulations have been adopted, unless the information in this respect stems directly from the law

The General Meeting of Shareholders of the Company operates based on the regulations contained in the Commercial Companies Code and the Articles of Association. The manner of operation of the general meeting and its basic powers are specified in the Regulations of the General Meeting of Shareholders of Stalprodukt S.A. approved by Resolution No. XXVI/16/2010 of the General Meeting of Shareholders of 25 June 2010.

Pursuant to § 2 of the Regulations of the General Meeting of Shareholders:

1. *The general meeting can be ordinary or extraordinary.*
2. *The Ordinary General Meeting is convened by the Management Board of the Company based on the adopted resolution, the date falling not later than six months after the end of each financial year.*
3. *The extraordinary general meeting is convened by the Management Board on its own initiative, at a request of the shareholder(s) or at representing at least one twentieth of the share capital. The request to convene an extraordinary general meeting, must be submitted by the shareholder or shareholders to the Management Board of the Company in writing or in electronic form to the Company's valid e-mail address: walne.zgromadzenie@stalprodukt.pl. In the case of submitting the request in electronic*

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form, the Management Board of the Company is authorised to take the necessary actions to verify the credibility of the submitted application. If the Management Board of the Company is unsure about the origin of the request, the Shareholder or Shareholders are obliged to provide the Company with declarations or documents confirming the right to submit the request.

- 4. The Supervisory Board may convene an ordinary general meeting if the Management Board of the Company fails to convene it within the time specified in the provisions of the commercial companies code or the articles of association, and an extraordinary general meeting if it considers it necessary to convene it.*
- 5. Shareholders may convene an extraordinary general meeting based on authorisation by the Registry Court, if within 2 weeks from the date of submitting the request to the Management Board, the meeting has not been convened. The court calls the Management Board to make a statement and appoints the chairman and date of the meeting.*
- 6. Shareholders representing at least half of the share capital or at least half of all votes in the company can convene an extraordinary general meeting. Shareholders appoint the chairman of such meeting.*

Pursuant to § 3 of the Regulations of the General Meeting of Shareholders:

- 1. The general meeting may adopt resolutions only in matters included in the agenda.*
- 2. The detailed agenda is set by the Management Board of the Company and specified in the notification.*
- 3. A shareholder or shareholders who represent at least one twentieth of the Company's share capital may request that specific matters are placed in the agenda of the general meeting. The request should be submitted to the management board no later than twenty one days before the set date of the meeting. The request should contain the justification or draft resolution concerning the suggested item in the agenda. The request may be submitted in electronic form.*
- 4. A shareholder or shareholders representing at least one twentieth of the share capital may, before the date of the general meeting, propose the company in writing or by electronic means, draft resolutions concerning matters placed in the agenda of the general meeting or matters which are to be put in the agenda. The Company shall promptly publish the draft resolutions on its website.*
- 5. In cases not covered by the agenda - the resolution cannot be adopted, unless the whole share capital is represented at the general meeting and none of the present persons reported objection concerning adoption of the resolution.*
- 6. Each shareholder may submit draft resolutions during the general meeting concerning matters introduced to the agenda of the general meeting.*
- 7. The requests for convening an extraordinary general meeting and requests of regulations nature may be adopted even if they have not been included in the agenda.*

In turn, pursuant to § 31 of the Articles of Association:

- 1. The General Meeting may adopt resolutions only in matters included in the agenda.*
- 2. The Management Board of the Company adopts the agenda.*
- 3. A shareholder or shareholders who represent at least one twentieth of the Company's share capital may request that specific matters are placed in the agenda of the General Meeting. The request should be submitted to the Management Board no later than twenty one days before the set date of the meeting. The request should contain the justification or draft resolution concerning the suggested item in the agenda. The request may be submitted in electronic form.*

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4. *A shareholder or shareholders representing at least one twentieth of the share capital may, before the date of the General Meeting, propose the company in writing or by electronic means, draft resolutions concerning matters placed in the agenda of the General Meeting or matters which are to be put in the agenda. The Company shall promptly publish the draft resolutions on its website.*
5. *Each shareholder may submit draft resolutions during the General Meeting concerning matters introduced to the agenda.*

Competences of the General Meeting include (§ 36 of the Articles of Association):

1. *Dismissal of the President of the Management Board.*
 2. *Review and approval of the Company's annual financial report, Management Board's annual report on the Company's activities, and also the Capital Group's consolidated financial report.*
 3. *Adoption of the "Remuneration Policy for Members of the Management Board and Supervisory Board".*
 4. *Giving opinions on remuneration reports for Members of the Management Board and Supervisory Board*
 5. *Deciding on how to distribute profits or how to cover losses.*
 6. *Granting a vote of approval to the Company's governing bodies.*
 7. *Amendments to the Company's Articles of Association.*
 8. *Increase or decrease of the Company's share capital.*
 9. *Change in the Company's object of operations.*
 10. *Company's merger or transformation.*
 11. *Company's liquidation, selection of liquidators and division of Company's property after the liquidation.*
 12. *Issuance of bonds.*
 13. *Decisions regarding claims for compensation of the damage suffered at the time of Company's formation and in course of managerial and supervisory activities.*
 14. *Deciding on the use of supplementary capital and raising and purpose of capital reserves.*
 15. *Other competences described as exclusive powers of the General Meeting of Shareholders by virtue of the Code of Commercial Companies, except for the expression of consent to the purchase and disposal of immovable property, perpetual usufruct, or share in the immovable property, which were delegated to the competency of the Supervisory Board.*
- k) **description of the issuer's management, supervisory or administrative bodies and their committees, together with an indication of the composition of these bodies and the changes that have occurred in them during the last financial year, including. l**

Management Board

The Management Board of the Company operates based on the provisions of the Commercial Companies Code, the Articles of Association and the Regulations of the Management Board approved by the Resolution of the Supervisory Board No. 12/XII/2020 of 9 October 2020. According to § 16 of the Articles of Association, the Management Board of the Company consists of two to four persons appointed for a three-year term by the Supervisory Board.

In 2022, the Management Board of Stalprodukt S.A. worked in the following composition:

- Mr Piotr Janeczek - President of the Management Board-Chief Executive Officer

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- Mr Łukasz Mentel - Member of the Board - Chief Financial Officer

The detailed course of action of the Management Board, as well as matters requiring a resolution of the Management Board and matters that may be dealt with on behalf of the Management Board by its individual Members, are defined in the Management Board Regulations.

Supervisory Board

The supervisory body of the issuer is the Supervisory Board, which may be composed of 5 to 7 people (in the current term of office, the Supervisory Board consists of 5 people).

The Supervisory Board in 2022 included:

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

The Supervisory Board meets once a quarter or more often at the invitation of the Chairman. In addition, the meeting of the Supervisory Board must be convened at the written request of three members of the Supervisory Board, submitted to the Chairman or at the request of the Management Board.

The specific duties of the Supervisory Board include (**§ 28 of the Articles of Association**):

1. *Election of the President and Members of the Management Board. Dismissal of the Members of the Management Board, except for the President of the Management Board.*
2. *Assessment of the financial report, Management Board's report on the Company's activities and Management Board's conclusions on profit distribution or covering of loss for the previous reporting year.*
3. *Reviews of periodic quarterly reports with the right of making remarks and requesting explanations from the Management Board, checking the books of accounts and Company's cash assets, at all times at their own discretion.*
4. *Reporting to the General Meeting of Shareholders on the fulfillment of duties in the fiscal year concerned.*
5. *Suspending the President and/or Members of the Management Board from duties for important reasons.*
6. *Delegating its Members to temporary performance of the activities of the Management Board Members who cannot perform their activities.*
7. *Approving of the Management Board Rules and Company's enterprise organizational rules.*
8. *Expressing consent to the acquisition by the Company of stocks or shares in another company and to transfer the same.*
9. *Expressing consent to the Company's making in-kind contribution to another company.*
10. *Expressing the consent to the conclusion by the Company of a long-term agreement obligating the Company to a payment exceeding the value of 10% of the equity.*
11. *Expressing the consent to the disposal of the Company's fixed assets, whose value exceeds 1% of the equity and donation exceeding the amount of PLN 50,000.*

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12. *Adopting by resolution Company's business plans upon the Management Board's motion.*
13. *Selection of the certified auditor to carry out the audit of the Company's financial report.*
14. *Adopting "The rules of benefits and remuneration of the Management Board", in accordance with the "Remuneration Policy for Members of the Management Board and Supervisory Board" approved by the General Meeting, containing detailed remuneration principles and criteria.*
15. *Submitting to the General Meeting an annual report on the remuneration of members of the Management Board and the Supervisory Board starting from the year after the adoption of the "Remuneration policy for members of the Management Board and the Supervisory Board.*
16. *Appointment of the Audit Committee (if such an obligation results from the generally applicable provisions of law). In such a case, the Supervisory Board adopts the regulations of the Audit Committee, in which it specifies the detailed principles of its functioning.*
17. *Expressing consent to the acquisition and transfer of real estate, perpetual usufruct or share in the real estate.*
18. *Developing a procedure for periodical assessment of significant transactions with related entities within the meaning of the Act of 16 October 2019 amending the Act on public offerings and conditions governing the introduction of financial instruments to organized trading, and on public companies and certain other acts (Journal of Laws of 2019, item 2217).*
19. *Assessing and approving the conclusion of significant transactions with related entities referred to in paragraph 18 above.*
20. *Submission of periodic reports on the assessment of significant transactions of the Company, referred to in para. 18 above.*

The Audit Committee operates within the Supervisory Board. It is composed by:

- 1) Ms Agata Sierpińska-Sawicz - Chairwoman
- 2) Mr. Romuald Talarek - Vice Chairman
- 3) Ms Magdalena Janeczek - Member of the Committee

l) as regards the audit committee or, where appropriate, the supervisory board or other supervisory or control body where that body exercises the duties of the audit committee, an indication of:

-people who meet the statutory independence criteria

The statutory independence criteria are met by 2 members of the Audit Committee, i.e.:

- Pani Agata Sierpińska-Sawicz;
- Pan Romuald Talarek.

- people with knowledge and skills in the field of accounting or analysing of financial statements, with an indication of the way of acquiring them

The person with knowledge and skills in the field of accounting or analysing of financial statements is Ms Agata Sierpińska-Sawicz, who holds a PhD in economics. She acquired this knowledge during her master's studies at the University of Economics, and then doctoral studies at SGH Warsaw School of Economics.

The research issues she dealt with during her studies included such issues as: financial analysis of a business, controlling, financial management of businesses, economics of a business, financial analysis. In turn, her didactic activity includes financial analysis and controlling.

- **people with knowledge and skills in the industry in which the issuer operates, with an indication of the way of acquiring them**

The knowledge and skills in the field of metallurgy, in which Stalprodukt S.A. operates, are possessed by Mr Romuald Talarek, holding PhD in technical sciences. He gained his knowledge during Master's studies at the University of Silesia (faculty of physics, specialisation - solid state physics), and then doctoral studies (metallurgy specialisation) at the Silesian University of Technology. He also completed post-graduate studies (specialisation: metal physics and metal science) at the AGH University of Science and Technology in Kraków. He has documented training and courses in the management and organisation of production, technology and quality control, information systems, modern technologies in metallurgy.

He acquired his skills while working in companies in the steel industry (Huta Batory in Chorzów and Batorex Sp. z o.o.). Mr R. Talarek was also a long-term president of Polish Steel Association in Katowice.

During his professional career he was also a member of several teams and programme councils at various ministries and he acted in international committees and industry steel organisations (e.g. EUROFER and ESTA).

- **whether there were services provided to the issuer by an audit firm analysing its financial statement being non-audit services and therefore whether the independence of the audit firm was assessed and consent to the provision of such services was given**

The auditing company Polscy Biegli Sp. z o.o., auditing the financial statements of Stalprodukt S.A., provided the Company with an attestation service consisting in examining and assessing the report on the remuneration of the Management Board and Supervisory Board of Stalprodukt S.A. for 2020. The Supervisory Board assessed the independence of this audit company and gave its consent to the provision of this service.

- **main assumptions of the policy developed for the selection of an audit firm to carry out the analysis and the policy of the audit firm conducting the analysis by affiliated entities to this audit firm and by a member of the audit firm's network of permitted non-audit services**

The most important assumptions of the policy of selecting an audit firm:

- in accordance with the regulations applicable to the Company, the entity authorised to conduct the audit is selected by the Supervisory Board, acting on the recommendation of the Audit Committee;
- it is forbidden to introduce any contractual clauses that would require the Supervisory Board to choose an entity authorised to carry out analysis from among a specified category or list of entities authorised to carry out analysis;
- The Supervisory Board when making the final selection, and the Audit Committee at the stage of preparing recommendations, is guided by the following guidelines regarding the entity authorised to carry out the analysis:
 - price proposed by the entity authorised to carry out the analysis;
 - ability to provide a full range of services specified by Stalprodukt S.A. (analysis of unit statements, analysis of consolidated statements, inspections, etc.);

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- previous experience of the entity in the analysis of statements of units with a business profile similar to the Stalprodukt S.A. Group;
- entity's previous experience in examining the statements of public interest units;
- professional qualifications and experience of persons directly involved in the conducted analysis;
- availability of qualified experts in the field of specific issues in financial statements, such as the valuation of actuarial provisions, valuation of derivative instruments, analysis of tax issues,
- ensuring that the analysis is conducted in accordance with the International Standards on Auditing and Assurance Services and compliance with the International Standard on Quality Control 1;
- confirmation of the independence of the entity authorised to carry out the analysis as early as at the stage of the selection procedure, this confirmation should apply to Stalprodukt S.A. Group

The most important Policy assumptions in the scope of providing additional services by the audit firm, an affiliated entity to the audit firm or a member of its network.

An expert auditor or an audit firm that performs statutory analysis of Stalprodukt S.A. or any member of the network to which the expert auditor or audit firm belongs must not provide directly or indirectly to the analysed entity, its parent company or its entities controlled by it, any prohibited services that are non-audit services of financial statements in the following periods:

- (a) during the period from the start of the period analysed to the issuance of the analysis statement;
and
- b) in the financial year immediately preceding the period referred to in letter a);

Prohibited services should be understood as defined in Article 5 of the REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL (EU) NO. 537/2014 of 16 April 2014 on detailed requirements regarding joint analysis of financial statements of public-interest units, repealing Commission Decision 2005/909/W in connection with Article 136 of the Act of 11 May 2017 on expert auditors.

Provision of additional, non-prohibited services referred to in Article 136 (2) of the Act of 11 May 2017 on expert auditors, is possible after obtaining the approval of the Audit Committee, based on its assessment of threats and safeguards of independence. The Audit Committee may issue guidelines regarding the use of these services.

- **whether the recommendation regarding the selection of an audit firm to conduct the analysis met the applicable conditions, and whether the selection of the audit firm did not concern the extension of the contract for analysis of the financial statement - whether this recommendation was drawn up following the selection procedure organised by the issuer that met the applicable criteria**

The recommendation regarding the selection of an audit firm to conduct the analysis met the applicable conditions. In addition, the recommendation was prepared following a procedure organised by the issuer that met the applicable criteria.

- number of meetings of the audit committee or meetings of the supervisory board or other supervisory or controlling body dedicated to performing the duties of the audit committee**

In 2022, the Audit Committee held 3 stationary and 5 remote meetings.

- in the event of performing the duties of the audit committee by the supervisory board or another supervisory or controlling body - which of the statutory conditions giving the opportunity to exercise this option have been met, together with the relevant data**

Not applicable. In the case of Stalprodukt, these duties were performed by the Audit Committee.

- m) a description of the diversity policy applied to the administrative, management and supervisory bodies of the issuer**

The Management Board adopted the Diversity Policy for application with respect to the company's governing bodies and its key managers, however, it was not adopted by the Supervisory Board in relation to the Management Board, and in relation to the Supervisory Board, it was not adopted by the general meeting. Persons entitled to elect members of the Company's bodies take into account the diversity of the composition of individual bodies, including gender diversity, but the basic criteria are the candidates' abilities, experience and competences.

However, this policy does not provide for the obligatory differentiation of the company's bodies (i.e. the Management Board and Supervisory Board) in terms of gender at the level of at least 30%. In the opinion of the Management Board, it is practically impossible to achieve such differentiation in the case of the Management Board. While this differentiation in the case of the Supervisory Board for its current term of office is even 40%, in the case of a 2-person Management Board, adopting such a postulate would mean that one of the members of the Management Board would have to be replaced by a female person or the composition of the Management Board would have to be deliberately enlarged by additional member (a female).

Taking into account the fact that the composition of the management board reflects the current organizational structure (the shape of which seems optimal and has been developed as a result of many years of experience and observation) and the division of competences of individual members of the management board (who also perform specific functions in it - i.e. the general director and financial director), changes in this respect are pointless and in practice difficult to implement. Moreover, expanding the composition of the management board would also mean increasing the remuneration costs of this body of the Company, which is also not justified.

Part III. Declaration on non-financial information

While preparing this Declaration, Stalprodukt mainly used the Non-Financial Information Standard developed by the Reporting Standards Foundation, however the final form of the report and the scope of information disclosed therein was adjusted to the specific nature of the Capital Group's operations and significant diversification of its individual operating segments.

1. Management area

1.1. Description of the business model and strategic development directions

Since starting its operations, Stalprodukt S.A. bases its economic strategy on two basic elements, i.e. organic growth and acquisitions. The constantly changing micro- and macroeconomic environment forces continuous optimization and restructuring activities in the Company itself, as in the whole Capital Group. Thanks to this, the Company could focus on its core operations – production (in two main product groups, i.e. transformer sheets and cores, as well as road profiles and barriers), while auxiliary and service activities were taken over by subsidiaries. Such a strategy allows the optimization of operating costs while taking advantage of the synergy effects between companies operating within the Group.

Stalprodukt S.A. faces in its core activity (steel industry) a significant risk that is related to the cyclical nature of this industry. This risk results from fluctuations in the prices of raw materials, energy mediums, as well as formal and legal business conditions, such as, recent and frequent application of market protection measures (customs and quotas), which significantly disturb healthy competition.

This risk was partially diversified through the purchase of shares of ZGH "Bolesław" S.A. (and indirectly of its subsidiaries) involved in the mining of metal ores (zinc and lead) and the production of zinc, lead and silver, as well as the recycling of the above-mentioned metals. The demand for risk diversification is currently reflected in the three main operational segments of the Group – Electronic Steels, Profiles and Zinc, which currently account for over 90%. Group's revenues and its financial result.

The Management Board of the parent company sets the development directions of the Capital Group, coordinates the strategy of individual companies. It also initiates and supervises optimization activities that streamline the Group's operations. The effect of such activities are, among others, mergers of companies that have taken place in the last few years.

The better use of production capacity, and thus the increase in sales revenues, is one of the most effective ways of combating the growing trend of costs and other charges of the company. In order to achieve it, it is necessary not only to improve the productivity of the production factors used, but also to gain increasingly greater shares in the markets where the Company's products may be placed and thus generate higher revenue.

A conservative approach to the methods of financing its operations (fixed assets are fully financed with equity) is also the basis of the Company's strategy. As a result, a strong capital base and financial independence is achieved thanks to a safe level of debt.

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The company has been planning to strengthen its position on the transformer sheet market for many years. This operating segment is crucial from the point of view of the impact on Stalprodukt's unit results. This scenario of strategy implementation became possible in 2017, when a contract was signed for the purchase of 100% shares of GO Steel Frydek Mistek a.s. with its registered office in the Czech Republic. The consequence of this acquisition is the increase of production capacity of transformer sheets to the level of 150 thousand tonnes/year, as well as expanding the Group's production offer by non-manufactured cold rolled sheets.

Currently, one of the main issues affecting the operations of the Stalprodukt Capital Group are issues related to climate change, as well as related issues of sustainable development. The Management Board of the parent company, which is responsible for the directions of the Group's development, is aware of the resulting conditions, as a result of which all areas affecting the business have been identified. The most important factors include:

- “European Green Deal”, which has the greatest impact on the current situation and prospects of European industry,
- growing pressure of expectations from customers and lenders related to the implementation of the climate neutrality policy,
- the need to implement the energy transformation policy, i.e. costly investments aimed at reducing the carbon footprint (including in own energy sources),
- the announcement of the introduction of a carbon footprint tax (CBAM) along with a simultaneous reduction in the number of free CO₂ emission allowances, which will be the greatest challenge for maintaining competitiveness, especially in energy-intensive industries, and the Stalprodukt Group operates within such framework (production of zinc and steel products),
- expected further increase in prices of CO₂ emission allowances,
- reducing the negative impact of our operations on the natural environment,
- EU product policy and circular economy, which promote the economical management of raw materials and their recycling,
- the situation on the commodity markets resulting from, among others, from the above conditions (significant from the point of view of all operating segments of the Group).

Being aware of the challenges facing the Company in the coming years, the Issuer's Management Board decided to develop assumptions for new directions of strategic activities for 2023-2030, which largely concern the policy of creating pro-environmental solutions, including in particular those aimed at decarbonisation of the business, i.e. a significant reduction of emissions CO₂.

The main goals to be achieved by the Company are:

- improvement of energy efficiency (e.g. by installing a cogeneration source with a capacity of approx. 7 MW, reconstruction of technological lines),
- decarbonisation of production (e.g. by eliminating the use of steam coal, replacing "grey" hydrogen with the so-called "green", building own renewable energy sources).

The measurable goals in the area of steel processing in the perspective of 2030 include, above all, the reduction of CO₂ emissions (including direct and indirect emissions) by 72,000 tonnes/year, i.e. by 55%, and reducing the demand for electricity by 30%. The total expenditure on projects for the steel processing area alone will amount to approx. PLN 0.5 billion in the period until 2030.

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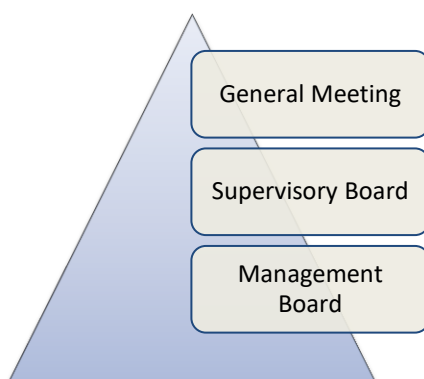
1.2. Managerial governance

- Stalprodukt S.A.

Stalprodukt S.A. operates pursuant to the provisions of the Commercial Companies Code and the Company's Articles of Association.

The company is subject to the corporate governance principles contained in the document "Good Practices of Companies Listed on the WSE 2021".

The structure of the corporate governance in the Stalprodukt S.A. is as follows:



In 2022 the Management Board of the Company currently consists of 2 people. The Company's Management Board consists of three persons, whereas the Supervisory Board consists of five persons.

1.3 Key non-financial effectiveness indicators

The Management Board of Stalprodukt S.A. identified key non-financial effectiveness indicators, which were defined as follows:

- effectiveness of operations, i.e. revenue per 1 employee,
- effectiveness of energy consumption, i.e. energy consumption per unit of revenue.

In the years 2021-2022, the above-mentioned ratios for the Company were as follows:

Indicator	2021	2022
Revenue per employee (thousand x PLN)	1 478,8	2 038,4
Energy consumption per unit of revenue (GJ/PLN 1 thousand)	0,77	0,58

1.4. Social and environmental risk management

Concern for and protection of the natural environment are matters of extreme importance for the

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employees of the Stalprodukt Capital Group companies, who make efforts to ensure that their operations comply with applicable laws on environmental protection and comply with the guidelines issued by the Companies in this regard.

Stalprodukt S.A., due to the specificity of its operations and the related risks, is exposed to events that may affect the safety of people and the environment. All social and environmental aspects related to the conducted activity have been identified.

The plant is currently not classified as a high industrial risk category (ZDR), nor is it classified as an increased industrial risk category (ZZR). Despite this, the Plant declares to maintain a safety management system in which the following operate: Failure Prevention Program and elements of the management system required by the Environmental Protection Law. Exercises are carried out on the premises of the Plant, the purpose of which is to check the means, equipment and personnel to eliminate the effects and combat potential ecological threats.

In addition, the Company has a document regulating the procedure in the event of an accident entitled "Manual for the prevention of major industrial accidents at Stalprodukt S.A. in Bochnia". The purpose of the manual is to ensure identification and counteracting potential dangerous incidents that may affect people and the environment, as well as defining post-failure procedures that limit the effects of these potential incidents.

1.5. Ethics management

The companies of the Stalprodukt Capital Group base their activities on the principles of integrity, reliability and transparency of activities undertaken by its employees.

All Stalprodukt S.A. Capital Group companies are required to observe the "Code of Ethics", which is complemented by the "**Anti-corruption and Whistle-blower Protection Policy**". These documents contain a set of standards, rules and guidelines which determine the ethical conduct in the course of conducting business by the companies of the Capital Group. The values and regulations included in these documents apply to all employees as well as other persons working at or on behalf of particular companies.

The regulations contained in the above documents simultaneously meet the requirements and recommendations regarding the scope of non-financial reporting, principles resulting from the document "Good practices in public companies 2016", as well as guidelines on corruption policy and whistle-blower protection included in the document "Recommended standards for compliance management system in the field of counteracting corruption and protection system for whistle-blowers in companies listed on the markets organized by the Warsaw Stock Exchange S.A.", developed from the initiative of the Compliance Committee of the WSE.

The company is committed to ensuring equal opportunities for all its employees, both in terms of working conditions and career development. The head of each department ensures that employees at every level, stage and in every aspect, from recruitment, training, remuneration, promotion, job assignment, responsibility, through goals, to progress assessment, employment period, are treated according to their skills while avoiding all forms of discrimination, in particular discrimination based on race, gender, age,

nationality, religion and personal beliefs. The Company requires all employees, including in particular persons employed in managerial and managerial positions, to comply with regulations prohibiting any discrimination on the grounds of age, race, gender, ethnic origin, nationality, religion, health, disability, marital status, sexual preferences, political or philosophical beliefs, trade union membership, or other characteristics protected by law.

The Company is prohibited from:

- using discrimination in any form,
- using mobbing in any form, in particular: humiliating, insulting, insulting and intimidating employees,
- sexual harassment in any form,
- using one's professional position to achieve personal benefits or infringe the personal rights of other employees,
- dissemination of untrue information, rumors, slander concerning other employees.

In addition, the Company applies the Work Regulations, which contain regulations resulting from the Labor Code.

2. The environmental area

Stalprodukt S.A. is a leading enterprise in the field of production and sale of highly processed steel products. The Company's Quality Policy is implemented through the management of the quality level of products using, as a certified tool, a Quality Management System that meets the requirements of ISO 9001. The Integrated Quality and Environment Management System operating at Stalprodukt S.A. includes processes related to the production and sale of electrical sheets and strips, sheets and strips of unalloyed steel, cold rolled steel sections, safety road and bridge barriers, wound and step lap cores, laminations, sheets cut from hot and cold rolled steel, as well as energy, water and waste water, and waste management related to production and social-living processes.

The Quality Management System used by Stalprodukt S.A. leads to the improvement of the system, production and management processes as well as the manufactured products and it is implemented through the constant optimization of cooperation with customers and suppliers based on the results of monitoring and analysis of their needs, expectations and satisfaction with cooperation with our company, continuous modernization of manufacturing processes and managers and their results, i.e. manufactured products, by undertaking organizational and investment projects, meeting the requirements of legal and other regulations, systematic training of the company's personnel to increase their competences and ensuring high qualifications resulting from more and more perfect manufacturing and management processes, continuous improvement of the working environment, so that it was perceived by the staff as friendly and enabling the optimal implementation of the objectives of the Quality Policy, continuous modernization and internal development of IT systems conditioning the proper flow in the information.

The Environmental Management System used in Stalprodukt S.A. in the field of production and sale of highly processed steel products is in line with the international ISO 14001 standard and determines the most important elements of mutual interactions between the company and the environment, as well as the direction of continuous improvement in the areas of design, production and delivery of products to the customer, as well as the disposal of waste and incomplete products.

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Planning and executing of the activities of Stalprodukt S.A. for the benefit of natural environment relate in particular to the use of technologies in compliance with the best BAT techniques that are available, limiting the consumption of raw materials, materials and energy, reducing the emission of pollutants into the environment, minimizing the amount of waste generated and handling them properly, meeting legal requirements and others that relate to environmental aspects, raising employees' awareness of the impact of their work on the natural environment and the potential consequences of not complying with the applicable rules of conduct.

Installations that are in possession of Stalprodukt S.A. operate on the basis of permits issued by the authorities competent to issue these decisions. Two installations are covered by the CO₂ emissions trading scheme.

Administrative decisions held by Stalprodukt S.A. in 2022:

- Integrated permit for a landfill in Borek,
- Permit required by Water Law Act for special use of water through drainage of treated rainwater and snow water, drainage water from the plant site and post-cooling water to the surface water - the Raba river,
- Permit required by Water Law Act for special use of water through surface water intake,
- Permit for generating waste in the Dept P3,
- Integrated permit for the installation of the Transformer Steels Department,
- Permit for generating waste in the Dept P4,
- Permit for waste processing in the recovery process,
- An integrated permit for running the installation for treatment of industrial waste water,
- Authorisation for emission of greenhouse gases from the boiler room of the plant,
- Permit for discharging gases and dust into the air from the installation of the Dept P2 and the boiler room of the plant,
- Permit for generating waste for the Dept P2 and for the installation for processing waste emulsions,
- Permit for emission of greenhouse gases from the installation of the Transformer Steels Department,
- Permit required by Water Law Act for Dept P4,
- Permit required by Water Law Act for the landfill in Borek,
- Approval for instructions for running the Stalprodukt S.A. landfill in Borek
- monitoring methodology plan for the installations of the Transformer Sheets Department;
- monitoring methodology plan for the plant's boiler room installation.

In the company, the registers of legal acts and environmental aspects are updated on an on-going basis. Measurements of gas and dust emissions are carried out in accordance with applicable standards, as well as measurements of noise input into the environment and monitoring of consumption of energy mediums and consumption of fuel. Stalprodukt S.A. operates the landfill site, monitored in accordance with applicable regulations, for its own use. Record of waste generated and stored is kept. In accordance with the Act on Waste, a remediation service fund is maintained for the landfill.

The obligation to recover and recycle packaging waste is carried out through a recovery organization and an agreement.

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Within the statutory deadline, statements are submitted to the offices in the field of waste management, packaging management, water and waste water management, gas and dust emission, as well as in the scope of pollutant release and transfer (PRTR). The statements of accrued and paid fees for using the environment are also forwarded to Marshals' Offices.

In 2022, no new administrative decisions regarding the use of the environment were obtained. Below is a list of decisions obtained in 2021:

- Decision - amendment of the decision granting the integrated permit for the operation of an installation for the treatment of wastewater from installations requiring an integrated permit, i.e. the Sewage Treatment Plant located on the premises of Stalprodukt S.A. in Bochnia - dated April 30, 2021;
- Decision - approving changes to the greenhouse gas emission monitoring plan for the installations of the Transformer Sheets Department - dated April 23, 2021;
- Decision - amendment of the decision granting the permit for greenhouse gas emissions from the plant's boiler room installation - dated April 30, 2021;
- Decision - monitoring methodology plan for the installation of the Transformer Sheets Department - dated April 30, 2021;
- Decision - monitoring methodology plan for the plant's boiler house installation - dated 30/04/2021;
- Decision - integrated permit for the installation of the Transformer Sheets Department - dated August 26, 2021;
- Decision - limitation without compensation of the decision granting the permit to discharge of gases and dust into the air from the installation; for the production of cold-formed steel sections, sheets in rolls, sheet metal sheets and road barriers; company boiler room - dated August 20, 2021;
- Decision - amendment of the decision granting permission to emit greenhouse gases from the installation entitled Plant boiler room of Stalprodukt S.A. - dated December 14, 2021;
- Decision to approve changes to the greenhouse gas emission monitoring plan for the installation of the Transformer Sheets Department - dated December 15, 2021.

2.1 Consumption of raw materials and other materials

In a table below summarising consumption of the most important materials used in production processes have been shown.

Organisational unit	Type of material	Unit	Consumption	
			2021	2022
Stalprodukt S.A.	Hot rolled steel	thousand x Mg	263,6	251,9
	Cold rolled steel	thousand x Mg	16,7	11,4
	Galvanized steel	thousand x Mg	3,1	1,9
	<i>The cost of used materials in relation to net revenue from the sale of products</i>	%	69,6	63,9

Over 99% of charge materials used by Stalprodukt S.A. are coils of hot and cold rolled steel. These materials are used in the basic production processes implemented in the Company related to the

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production of: electrical transformer steels, cold formed sections and road barriers. It should be emphasized that materials intended for the production of individual products differ from each other in technical parameters, i.e. chemical composition, steel grade, thickness and width of coils, etc.

Hot and cold rolled steels are also used in the service centres owned by the Company, which perform longitudinally cutting operations (into strips) or transversally ones (into sheets). As part of the adopted specialisation, the service centre for hot rolled steels is located in Bochnia, while the service centre for cold rolled steels is located in Tarnów.

The material in strips is mainly used for internal needs of Stalprodukt, it is the charge for profiling lines for the Company's production departments located in Bochnia (Dept P2), in Kraków (Dept P3) and in Tarnów (Dept P4). In turn, steels in sheets are sold exclusively to Stalprodukt's external customers - both directly and through Stalprodukt's domestic distribution network.

2.2. Fuel and energy consumption

Below is a table summarising energy consumption according to their main types.

Organisational unit	Type of fuels and energy	Unit	Consumption	
			2021	2022
Stalprodukt S.A.	Electricity	GJ	602 589	639 449
	Natural gas, propane and butane	GJ	610 627	641 308
	Bituminous coal	GJ	312 888	302 207
	Fuels	GJ	3 892	3 586
	Heating oil	GJ	2 411	1 820

The highest energy consumption is generated by the Electrical Steels Segment as a result of thermal treatment of steel.

The Company's activities are aimed at reducing the consumption of energy mediums. These activities include:

- installing meters for heat, electricity, drinking water, processing water reception
- charging the costs to individual organizational units,
- assembling and modernising industrial automation systems.

2.3 Water consumption

The table below presents a summary of water consumption according to the main sources of its acquisition together with their purpose.

Organisational unit	Water characteristics and origin	Unit	Consumption	
			2021	2022
Stalprodukt S.A.	Water supply network	m ³	32 071	41 424
	Surface water intake	m ³	513 301	537 298
	Water consumption for social and living purposes	%	5,9	7,2
	Processing water consumption	%	94,1	92,8

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The main source of water for Stalprodukt SA is its own intake from the Raba river and, in addition, water from the water supply network. The plant collects water from its own surface intake in accordance with the conditions specified in the permit required by Water Law Act.

Consumption of drinking and processing water is metered. In addition, in the context of monitoring, cyclical environmental monitoring is carried out for water and waste water testing in accordance with the required permits and applicable regulations.

It should be noted that water is reused in a closed circuit, which is presented in the table below.

	Unit	2021	2022
Water collected from the Raba river	m ³	513 301	537 298
Reused water	m ³	264 710	265 997
% of water reuse	%	52,0	49,5

The highest demand for water is reported by the Electrical Sheets Segment.

2.4. Biodiversity protection

Stalprodukt S.A. does not conduct production activities within the range of direct impact on the areas of national parks, spa areas and Natura 2000 areas.

Cyclical monitoring of the environment is carried out by testing water and sewage as well as measuring emissions and noise, as well as monitoring the landfill, in accordance with the permits held.

2.5 Emissions into the atmosphere

The table below presents the amount of emissions of harmful substances into the atmosphere.

Organisational unit	Emissions type	Unit	Emissions	
			2021	2022
Stalprodukt S.A.	CO ₂	Mg	63 186	63 320
	CO	Mg	108	113
	Dusts	Mg	3,1	3,2
	SO ₂	Mg	57	78
	NO _x	Mg	47	45
	Aromatic hydrocarbons and aliphatic hydrocarbons	Mg	0,88	0,86
	Hydrofluorocarbons	Mg	0,022	0,004
	Sulphuric acid	Mg	0,17	0,16

The emission sources in Stalprodukt S.A. are the following:

- decarburization annealing furnaces, dryers, stress relief annealing furnaces and a normalizing annealing furnace,
- blasting processes,
- sulphuric acid digestion processes,
- cold rolling of steels processes,
- hydrogen production,
- installations for the production of cold-formed steel sections and sheet metal.

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Additional sources of emissions in the Company are also:

- coal-fired boiler house and gas boiler house in Bochnia
- gas and oil heating appliances - for heating halls and buildings and for social purposes.

The following methods are used to reduce atmospheric emissions:

- dust emission sources are equipped with dust extraction systems such as multicyclone or batteries cyclone and bag filters,
- the sulphuric acid emission source is equipped with a two-compartment absorption vessels.

Monitoring of gas and dust emissions is carried out in accordance with the binding regulation on the requirements for the measurement of emissions and the obligations imposed by administrative decisions.

The measurements did not show any emission excesses, and the measurement reports were submitted to the Marshal's Office and the Voivodeship Inspectorate for Environmental Protection.

Emissions into the air do not under any circumstances threaten the applicable air quality standards, and in residential areas they represent a small fraction of the limit values. The annual measurements of emissions are carried out in accordance with the reference methodology and demonstrate that the air quality standards are met.

2.6 Waste management

The amount of waste produced is shown in the table below.

Organisational unit	Waste type	Unit	Amount	
			2021	2022
Stalprodukt S.A.	Hazardous waste	Mg	2 229	2 070
	Waste other than hazardous	Mg	31 021	30 178
	<i>Total waste</i>	<i>Mg</i>	<i>33 250</i>	<i>32 248</i>
	Stored waste	Mg	608	700
	Waste recovered	Mg	1 462	1 226
	Waste sent to recovery organisations	Mg	31 180	30 322

In the administrative decisions obtained by Stalprodukt S.A., the types and amount of waste allowed to be generated during the year were determined.

Generated waste inventory record is kept. Monitoring of the landfill site is carried out in accordance with applicable regulations and administrative decisions. The company also keeps inventory record of waste stored and waste sent to other entities holding a permit for waste management.

All waste storage areas shall be marked and adequately protected against unauthorised entry. The Plant has developed and updated the Industrial Waste and Packaging Management Instruction in Stalprodukt S.A. Waste is collected selectively, in designated areas which do not pose a threat to the environment. The waste is sent to entities holding appropriate permits for the management of individual waste. The landfill site and the installation for the processing of waste rolling mill emulsions were equipped with video monitoring.

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With respect to waste management, the following activities are carried out in order to prevent the generation of waste or to reduce the amount of waste and its negative impact on the environment:

- proper storage of waste and raw materials,
- continuous monitoring of the installation,
- observance of proper operation of facilities, machines and equipment,
- maintenance of equipment in good technical condition, ongoing inspections and repairs of installations,
- maintaining order and compliance with waste management procedures,
- training the team in the correct handling of the generated waste,
- reasonable and economical management of materials and raw materials.

The amount of waste water produced is shown in the table below.

Organisational unit	Waste water	Unit	Amount	
			2021	2022
Stalprodukt S.A.	Total amount of water and waste water	thousand of m ³	1 445	1 659
	Discharged	thousand of m ³	361	379
	Treated	thousand of m ³	1 084	1 280

Industrial waste water is treated in our own waste water treatment plant. The treated waste water is largely reused in the process and partly discharged into the river on the basis of an integrated permit.

In accordance with the holding permit, the following measurements are carried out:

- continuous measurement of the amount of waste water discharged,
- analyses of the condition and composition of waste water discharged into waters, periodical measurements of waste water quality after individual stages of treatment,
- periodic reviews of the technical condition of buildings, equipment and networks.

2.7 Other environmental aspects

In order to ensure proper emergency response procedures and to prevent or limit the negative impact of emergency situations on the environment, materials, processes and activities that may cause such situations, rules of conduct in the event of such situations, forces and measures available, as well as organisational rules applicable to dealing with the consequences of failures have been defined. Additionally, actions to be undertaken in order to prevent the occurrence of failures have been defined.

In the accounting period there were no administrative proceedings related to the infringement of environmental regulations by the Capital Group companies. There were no accidents with environmental effect and no infringement of environmental regulations.

Apart from the areas of environmental impact described above, the operating activities of the companies' entities do not generate any other special factors affecting the surrounding environment.

In 2021 and 2022, Stalprodukt S.A. no fines have been imposed for violations of the terms of use of the environment.

2.8 Enhanced environmental responsibility

The development of the company with simultaneous reduction of the impact on the natural environment is one of the elements of the strategy of Stalprodukt S.A.

The applied Integrated Management System compliant with the international standard ISO 9001 and ISO 14001 enables us to identify the most important elements of interaction between the company and the environment and to take constructive actions in the areas of design, production, product delivery and waste disposal. This system is integrated into the general management system of the company.

Environmental activities are planned and implemented, which mainly concern:

- the use of materials and technologies which, to the best of the available knowledge, are considered to be the least harmful,
- reduction of the emission of pollutants into the atmosphere,
- proper waste management,
- prevention of major industrial accidents,
- comply with legal and other requirements that relate to the identified aspects,
- raising employees' awareness of the impact of their work on the natural environment and the potential consequences of non-compliance with the applicable rules of conduct.
- taking account of economic conditions when determining activities,

The effects of the activities are systematically assessed. The IMS policy is implemented taking into account local conditions, aims at continuous improvement of environmental protection and is approved by the Company's top management. The IMS Policy and information on actions taken to implement it are made available to suppliers, recipients and other interested parties.

Legal and other requirements, technological and financial options, operational requirements arising from running a business, as well as the views of stakeholders are taken into account when setting environmental goals. The goals are consistent with the established IMS policy. The Top Management of Stalprodukt S.A. conducts regular reviews of the IMS in order to assess the usefulness, adequacy and effectiveness of the functioning IMS, implementation of the established policy, objectives and quality indicators and environmental objectives, opportunities for improvement as well as the need to introduce changes to the system.

In order to ensure that employees are familiar with the requirements of the Integrated Management System, training is conducted for individual professional groups on the rules and documents of the system and the methods of performing activities.

The Company has planned and implemented appropriate monitoring and measurement processes, as well as analysis and improvement for:

- demonstrating compliance with the requirements concerning the product,
- ensuring compliance of Integrated Management System Policy with specific requirements,
- continuous improvement of Integrated Management System Policy.

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The IMS documents define the methods of monitoring, measurement and analysis, as well as the selection of appropriate quality improvement techniques.

Statistical methods are used to supervise the stability of specific machines, processes and the quality of manufactured products. Statistical methods are also used for data analysis, complaints and corrective actions and audit results.

The processes necessary for continuous improvement of the IMS are planned and managed. Continuous improvement is implemented through the use of the Integrated Management System Policy.

During internal audits and data analysis, opportunities to improve the system are identified. Implementation of corrective actions allows restoring the effectiveness of the IMS and reduces the likelihood of problems in the future. Strategic actions for continuous improvement are undertaken during the review of the top management of Stalprodukt S.A.

3. Taxonomy

At the beginning of 2022, new requirements for disclosure of stock exchange issuers under Regulation 2020/852 EU on the establishment of a framework to facilitate sustainable investment, amending Regulation (EU) 2019/2088, also known as the Taxonomy Regulation, entered into force.

This regulation sets out the criteria for the determination

- **whether the given economic activity qualifies as environmentally sustainable,**
- **determining the extent to which a given investment is compliant with the Taxonomy, ie environmentally sustainable.**

In accordance with the applicable regulations, for the purposes of fulfilling the disclosure obligations arising from the Regulation, this Statement on non-financial information (being part of the Management Board's Report on activities for 2021), allows to determine the extent to which the activities carried out by individual companies of the Stalprodukt Capital Group qualifies for the taxonomy.

The analysis was based on the Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing technical selection criteria to determine the conditions under which an economic activity qualifies as making a significant contribution to climate change mitigation or adaptation, and determining that this economic activity does not cause serious damage to any of the other environmental objectives.

According to the above technical qualification criteria, the only activity conducted within the Stalprodukt Capital Group and eligible for the Taxonomy is "hydrogen production" (marked with no. 3.10.) This activity is conducted within Stalprodukt S.A. For this activity, enter the percentage of economic activity qualifying for the taxonomy and economic activity not qualifying for the taxonomy in total turnover, capital expenditure and operating expenditure.

For practical reasons, a significance criterion of 3% was adopted for the 1st ratio (share in turnover).

Taking into account the ratio of the share of activities qualifying for the Taxonomy (production of hydrogen) in the total turnover of the Stalprodukt S.A. Group, amounting to 0.30%, the Company considers this type of activity to be insignificant and thus refrains from providing further required ratios

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(share in investment and operating expenses).

4. Social and employee area

4.1. Using public aid and public sector contracts

Stalprodukt S.A. in 2022, for the period of preparation of this statement, it used co-financing from public aid in the amount of PLN 2,503,310.42 (at nominal value). It was operating aid for the promotion of energy from renewable sources and for high-efficiency cogeneration, while in 2021 it benefited from public aid in the amount of PLN 2,244,131.45 (in nominal value). It was also operating aid for the promotion of energy from renewable sources and for high-efficiency cogeneration.

4.2. Level of employment and level of remuneration

All presented data reflect the situation at the end of a given year.

The employment structure by positions

		2021						2022					
	Type of position	women	men	Contract for a trial period	Contract for a definite period	Contract for an indefinite period	Civil-law contracts	women	men	Contract for a trial period	Contract for a definite period	Contract for an indefinite period	Civil-law contracts
Stalprodukt S.A.	Management staff	6	47	0	0	53	0	7	44	0	4	47	0
	White-collar	69	169		5	233	1	74	179	2	18	233	2
	Blue-collar	27	1033	1	0	1059	0	36	985	1	25	995	11
	total	102	1249	1	5	1345	1	117	1208	3	47	1275	13

Employment structure by gender

		2021				2022			
	Employees by gender	Contract for a trial period	Contract for a definite period	Contract for an indefinite period	Civil-law contracts	Contract for a trial period	Contract for a definite period	Contract for an indefinite period	Civil-law contracts
Stalprodukt S.A.	women	0	3	99	0	1	21	95	8
	men	1	2	1246	1	2	26	1180	5
	total	1	5	1345	1	3	47	1275	13

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In the employment structure at Stalprodukt S.A. the majority of employees are men, i.e. over 91% of employees. They are mainly employed in manual positions. Such specificity of the employment structure is related to and results from the nature of the business. The most popular form of employment has been an indefinite-term contract for years. Their share in total contracts in Stalprodukt S.A. is 96%.

In 2022, there was a slight decrease in employment compared to 2021 by about 2%.

Employment structure by age

		2021				2022			
	Division by age	women	men	Blue-collar positions	White-collar positions	women	men	Blue-collar positions	White-collar positions
Stalprodukt S.A.	do 30 lat	6	111	108	9	10	76	72	14
	31- 50 lat	63	759	625	197	73	758	634	197
	>51 lat	33	379	327	85	34	374	315	93

In the structure of employment by age, the most employed are employees aged 31-50 (similar to the previous year).

Newly employed employees by age and gender

		2021			2022		
	Division by age	women	men	total	women	men	total
Stalprodukt S.A.	up to 30 years	0	1	1	8	11	19
	31- 50 years	12	12	24	10	13	23
	> 50 years	5	4	9	2	2	4

Employees made redundant by age and gender

		2021			2022		
	Division by age	women	men	total	women	men	total
Stalprodukt S.A.	up to 30 years	1	13	14	1	12	13
	31-50 years	2	28	30	4	23	27
	>51 years	4	31	35	4	34	38

Employment of people with disabilities

		2021		2022	
		Number of people with disabilities	Employment share [%]	Number of people with disabilities	Employment share [%]
Stalprodukt S.A.		5	0,37	6	0,45

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Average remuneration (PLN)

	2021		2022	
Stalprodukt S.A.	Average remuneration regardless of gender	6 228	Average remuneration regardless of gender	7 494 zł

In Stalprodukt, the average annual remuneration increased by approximately 20% compared to 2022.

4.3. Relations with the employees and freedom of association

There are two trade unions in Stalprodukt S.A.: ZZ NSZZ Pracowników AMP S.A. in Stalprodukt S.A. s and MOZ NSZZ "Solidarność". In 2022, the ratio of employees belonging to trade unions was about 18%, whereas in 2021 it was about 19%.

In the Company, no collective dispute was initiated in 2022.

Social activities

Social activity in Stalprodukt S.A. is carried out in accordance with the Act on Employee Benefit Fund (ZFŚS) and with the "ZFŚS Management Regulations" in force in Stalprodukt S.A., which provides various forms of aid for employees and their families, namely:

- non-returnable financial and material or material aid in the form of hardship benefits (aid to persons who have been affected by individual random events, long-term (chronic) illness or death of the closest family members);
- aid in the form of repayable loans for home, flat renovation, house construction; change (from a smaller to a larger one) of a cooperative or temporary type of flat,
- co-financing for leisure organized in the form of colonies, camps, winter camps, holidays,
- co-financing for individual leisure, the so-called "wczasy pod gruszą",
- co-financing for cultural and educational activities (e.g. admission tickets for cultural and educational events, to the cinema, stage performances, concerts),
- co-financing for sports and recreation activities (rallies, trips, sports events for children).

4.4 Occupational health and safety (OHS)

The ambition of the Capital Group is to provide employees with a safe, healthy and friendly work environment. The companies of the Capital Group apply the best available practices to minimize threats to the health and safety of the team and to build awareness and motivation for safe behaviour.

There is an Occupational Health and Safety Policy in Stalprodukt S.A. According to its provisions, the priority of the Company's management is to ensure occupational health and safety for employees, contractors, subcontractors and representatives of other institutions present on the premises.

This policy is implemented through:

- pursuit of constant improvement in occupational health and safety,
- maintaining a high standard of working conditions and respecting the applicable law,
- continuous improvement of employees' qualifications,

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- familiarizing employees with all aspects of work, with particular emphasis on the necessity of its safe performance,
- promoting attitudes and actions that increase employee engagement to improve working conditions,
- supervising employees' compliance with health and safety principles,
- continuous improvement of occupational health and safety.

The company declares taking all actions aimed at:

- eliminating harmful and onerous factors that may occur at work stations,
- prevention of accidents, occupational diseases and near misses.

Knowledge and skills in the field of occupational health and safety are acquired by the employees in the course of the Company's training system. During job instructions they are informed about occupational risk occurring at individual positions, including onerous, harmful and dangerous factors and the results of their measurements.

Stalprodukt S.A. performs cyclic measurements for the presence of dust and chemical agents at the work stations.

On the premises of Stalprodukt S.A. there is a Social Labour Inspectorate, whose representatives, in addition to the implementation of other tasks, participate in meetings of the Occupational Health and Safety Commission organised at least quarterly and in the review of working conditions. The OHS Service conducts on-going inspections of working conditions and prepares, at least once a year, regular OHS analyses.

In Stalprodukt S.A., accidents at work occur most often during handling of objects and during contact with sharp edges of steel sheets. A relatively small number of accidents occur when machines are operated.

The most common causes of accidents at work in 2021-2022 are human causes, such as improper behavior of the employee (caused in particular by being surprised by an unexpected event, insufficient concentration of attention on the activity).

Specification	2021	2022
Total number of accidents at work	13	18
Accident frequency indicator (number of accidents/number of people employed x 1000)	9,61	13,58
Number of heavy accidents	0	0
Number of fatalities	0	0
Total number of days of inability to work among employees due to accidents	813	966
Accident severity indicator (number of days of inability/1 accident)	62,54	53,67
Number of cases of occupational diseases reported.	0	0
Number of employees working under conditions exceeding the maximum permissible concentrations (NDS) and permissible values of intensity (NDN)	186	120
Number of work stations at which the level of assessed occupational risk is unacceptably high (i.e. actions are necessary to reduce the risk level)	0	0

4.5 Development of education

In order to ensure satisfaction from work, the Capital Group invests in professional development of its employees and good atmosphere in the workplace. The Group companies create friendly conditions for their employees to gain knowledge, improve their qualifications and benefit from various forms of education. Continuous updating of knowledge and skills and upgrading of qualifications is in line with the company's strategy. The acquired qualifications are used by the employees on the occupied position or will be used in the future. Facilitating the improvement of qualifications in the Company creates a positive assessment for the learning employees. Continuous improvement of professional qualifications becomes a necessity. The need for continuous learning is linked to technological and organisational change and to a sufficiently high level of safety, and knowledge needs to be continuously updated and updated.

Stalprodukt S.A. helps in the professional development of its employees in various ways. For example, with employees who, on their own initiative, take up post-graduate studies or training on specialized courses, consistent with the scope of their professional activities, contracts for improving qualifications are concluded, giving co-financing of up to 50% of the price or studies. At the same time, the company undertakes to grant training leave and to reimburse travel costs if the training or studies take place in another city.

Training in the Company is carried out on the basis of an annual training plan. All organizational units are covered by the training plan. There was a significant increase in the number of trainings compared to the trainings in 2021.

In 2022, a total of 78 training sessions were held, attended by 473 employees. The training took place both in stationary and online form. Some employees, as part of improving their professional qualifications, participated in courses and exams that guaranteed obtaining state qualifications (UDT, SEP).

The trainings are attended by: directors, managers, specialists, foremen, engineering and technical employees as well as administrative and office employees, as well as employees employed in production positions. Attestations and certificates are issued for participation in training. Each employee fills in a questionnaire evaluating the method of conducting the training, the quality of training materials, the level of social conditions during the training and the selection of topics for current needs. Three months after the participation in the training, the supervisor submits an evaluation of the effectiveness of the employee's training.

The table below presents the number of trainings conducted in the Company.

	2021	2022
Number of persons trained	228	473

4.6 Managing diversity

To ensure the highest standards in creating a working environment in which every employee feels respected and appreciated and in which they can fully realize their potential, the Diversity Policy was adopted in the Stalprodukt S.A. Group in 2018.

The Capital Group companies implement the policy of diversity in the recruitment process, the principle of equal access to remuneration, development and training and promotion regardless of skin colour, religion, sex, age, nationality, sexual orientation, citizenship, marital status, having children, political views, disability or any other legally protected status.

Decisions concerning the employment of employees and the election of members of the Management Board and Supervisory Board are made on the basis of objective criteria. Stalprodukt S.A. strive to ensure the versatility and diversity of company bodies, especially in the area of gender, education, age and professional experience, while the main selection criteria are high qualifications, professionalism and competencies of the candidate to perform a specific function.

In Stalprodukt S.A. the Anti-Mobbing Policy applies. In 2022, no cases of mobbing were found in the Company.

4.7 Human rights

In Stalprodukt S.A. there has never been a human rights violation. In its contracts with its main contractors, the Company does not include a clause obliging the subcontractor to respect human rights and does not reserve the right to audit and terminate the contract in the event of its violation.

4.8 Child and forced labour

The Capital Group none employs children or uses forced or compulsory labour.

4.9 Local communities and social engagement

The Management Board of Stalprodukt S.A. is fully aware of the fact that the outlays allocated for supporting local development are a long-term investment which benefits both parties. The satisfaction of customers, employees and the respect of the local community are equal objectives, no less important than high profits.

Responsible business is also a management strategy that minimizes risk and maximizes the chance of success in the long run. It is also the ability to run a business in such a way as to increase its positive contribution to the development of society and, at the same time, minimise the negative effects of economic activity. Responsible business also means the way in which the company treats market participants on a daily basis: customers and business partners, employees and the entire local community.

The high position of Stalprodukt, appreciated in rankings, is the result of such an understanding of corporate social responsibility.

Stalprodukt S.A. is one of the largest companies operating in Małopolska region and a large employer, employing at the end of 2022 1325 employees. Therefore, the Management Board of the Company, being aware of its responsibility, treats CSR issues, and above all good relations with the local community (in addition to increasing the value of the company), as a priority.

The company has been active in this area for many years, sponsoring many social initiatives and undertakings, mainly from the town and commune of Bochnia. Stalprodukt regularly provides financial

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support to local schools, parishes and orphanages. It also finances the activities of various foundations and associations, organizing sports, cultural and entertainment events and charity concerts. It also finances the activities of various foundations and associations, the organization of sports, cultural and entertainment events and charity concerts. The Company also financially supported the publication of various types of book publications (e.g. "Bochnia and Bochnia Oblast in the years 1863-1864. On the 150th anniversary of the January Uprising" - by Janina Kęsek, published by the Association of Bochnia Residents and Lovers of the Bochnia Land).

The most important projects in the area of corporate social responsibility supported financially by the Company in 2022 include:

- donation to Caritas at the parish of St. Nicholas in Bochnia, intended for hot meals for people in need of help, including the homeless,
- financial support for the 15th edition of the Festival of the song "Integration painted with sound",
- financial support for the Association of Bochnia and Bochnia Land Lovers,
- support for charity runs organized by the Auxilium Foundation in Bochnia, which helps people with disabilities, 5th edition of the Pilecki Run, 25th Memorial Run named after Bogdan Włosik,
- support of Associations and Foundations.

The total amount of expenses related to the area of corporate social responsibility in 2022 amounted to PLN 124,200.

The Management Board of Stalprodukt also understands corporate social responsibility as caring for one's own employees, their families, timely payment of all contributions, including social and health insurance, as well as timely payment of all due taxes in the place where most of the employees work and live.

The efforts of the Stalprodukt management to satisfy the needs and expectations of the local community have already been appreciated by the city authorities several times. In 2008 Stalprodukt was the first to receive the title of "Bochniae Bene Meritus". (Well-accomplished for Bochnia). According to the intention of the city authorities, this award is to be granted to institutions and companies whose activities positively influence the local labour market and the economic condition of the city.

And in 2016 (on the occasion of the 763 anniversary of the location of Bochnia), President of the Management Board of Stalprodukt S.A. Mr. Piotr Janeczek received the statuette Boleslaus Dux Founder - Bolesław Prince Founder. It is awarded by the Mayor of Bochnia to people who in their activities and life attitude show constant care for the good name and existence of Bochnia (a distinction awarded for the second time since its establishment).

To sum up, it should be emphasized that the activities of Stalprodukt S.A. in the CSR area are aimed at achieving the following objectives: maintaining a positive image of the Company, gaining social acceptance and support for the activities undertaken by the Company and its management, strengthening the Company's image as a significant and reliable employer on the local labour market, a company important for local authorities, environmentally friendly, meeting the quality standards, environmental protection, taking care of the safety of employees and observing the principles of corporate governance.

4.10 Counteracting corruption

To ensure the highest standards of transparency and economic openness, the Anti-Corruption and Signal Protection Policy was adopted in 2018. This document contains the objective and assumptions of the introduced anti-corruption policy and detailed rules concerning, inter alia:

- prohibit the creation of mechanisms to finance property and personal benefits, including the use of company assets,
- anti-corruption clauses used in contracts,
- giving and receiving gifts,
- sponsorship and donation,
- the activities of Corporate Signals (including reporting rules, ensuring the protection of submitters).

In addition, the Company has solutions in the form of internal procedures that significantly limit the possibility of corruption activities. First of all, the instruction on making and settling purchases should be mentioned here.

The principles contained in it include, inter alia:

- approval of orders by persons authorized to incur liabilities, in accordance with the Company's Articles of Association,
- detailed control of the compliance of materials with demand,
- appointing teams to negotiate the terms of agreements and setting goals to be achieved (when purchasing materials exceeding the amount of PLN 60 000),
- obtaining several price offers for ordered materials,
- multi-stage acceptance of purchase invoices in the IT system (including by two members of the Management Board or a member of the Management Board and a proxy).

It is also worth noting that the purchasing department is subordinated directly to the President of the Management Board - the CEO, who participates in negotiations of key agreements - in the organizational structure of the Company.

4.11 Product and consumer safety

As part of its commitment to customer safety, the Company complies with all recommendations and requirements under applicable laws.

A document adopted by the parent company "Stalprodukt's task" contains the most important values that the Company's employees are guided by in their activities. These include: quality of products and processes, meeting customer expectations, increasing shareholder value, timely fulfilment of commitments, excellent cooperation with suppliers, environmental protection, ethics and culture.

The Company treats all its clients fairly and impartially, regardless of the size of transactions concluded with them. The Company's goal is to provide customers with products and services of the highest quality that meet their needs. Employees negotiating the terms of contracts are required to ensure the truthfulness and reliability of all information, presentations and statements that are provided to clients.

Construction products manufactured by Stalprodukt S.A. are manufactured on the basis of harmonised technical specifications included in the standards:

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- PN-EN 1317-5+A2:2012 Road restraint systems - Part 5: Product requirements and conformity assessment for vehicle restraint systems;
- Hollow sections, welded, cold made, of non-alloy and fine-grain structural steels, intended for structural elements for the building industry, manufactured in accordance with the requirements of PN-EN 10219-1:2007 and PN-EN 10219-2:2019;
- Steel sections, cold made, open, made of S235, S275, S355 steel grades JR, JO, J2 according to PN-EN 10025-2:2019 and S420M according to PN-EN 10025-4:2019, intended for general use and special applications, made according to PN-EN 10162:2005;
- Hot-rolled steel sheets in sheets, made of structural steels according to the requirements of PN-EN 10025-2:2019, with a thickness of 1.5 to 16.0 mm, width up to 2150 mm and length up to 12000 mm, intended for welded structural elements , riveted and bolted; manufactured in accordance with the requirements of the PN-EN 10025-1:2007 standard.

The rules of marketing or making construction products available on the domestic market, the rules of controlling construction products marketed or made available on the market and the jurisdiction of the authorities to perform administrative tasks and obligations resulting from Regulation (EU) No. 305/2011 of the European Parliament and of the Council of 9 March 2011 are specified in the Act of 16 April 2004 on construction products (consolidated text Journal of Laws of of 2021, item 1213).

Other products manufactured by Stalprodukt S.A., in particular metal sheets, are manufactured on the basis of standards:

- PN-EN 10107:2014 Electrotechnical steel sheets and strips with grain oriented delivery. in the fully processed state,
- CEI IEC 60404-8-7 Ed 4.0 2017 Magnetic materials - Part 8-7,
- A 876-17:2017 Standard Specification for Flat-Rolled, Grain-Oriented, Silicon-Iron, Elektrical Steel, Fully Processed Types.

4.12 Marketing communications

Communication is a key element in achieving socially responsible objectives. However, one of the basic strategic objectives of Corporate Social Responsibility is to build transparent, long-term and lasting relations with all interested parties in the process of Stalprodukt activity.

Building lasting relationships is the result of satisfaction on the one hand, and the effect of understanding needs and responding to identified needs on the other.

For many years, the Company has been conducting an annual survey of "Satisfaction, Loyalty and Trust of Stalprodukt Group's customers". It is carried out by means of a survey sent to customers. The survey consisted of two parts. The aim of the first part is to determine satisfaction, loyalty and trust levels and, consequently, to calculate a synthetic index that should reach a certain threshold level, set in the quality objectives for each year. If the synthetic indicator is lower than assumed, corrective and corrective actions are required.

In 2022, the synthetic index amounted to 88.2 points and was lower by approximately one point compared to the result obtained in the previous year. This is a high level, but it did not achieve the set target of 90 points. In connection with the above, the situation was analyzed and corrective actions will be taken by the Company.

The second element of the survey is a list of attributes that are assessed in terms of their importance and fulfilment by Stalprodukt and its competitors. These are attributes related to price, quality of products and services, timeliness, speed of response to inquiries and complaints, technical support, wide range of products, etc. According to the respondents, the most important attributes are: all time-related attributes and price. Continuous improvement is necessary in areas where the implementation differs from the importance and / or evaluation of the competition.

In 2022, there were no cases of non-compliance with marketing communication regulations and codes, including advertising, promotion and sponsoring, in the entire Capital Group.
No proceedings were conducted before the Office of Competition and Consumer Protection in this area.

4.13 Protection of privacy

In Stalprodukt S.A. there are legally required policies and procedures related to the protection of personal data.

In 2022, there were no incidents regarding the leakage of customer personal data or unauthorized use of customer data, only 1 minor incident related to organizational security within the Company was recorded.

4.14 Product labelling

Proper labelling of products is one of the important issues in customer relations. All products manufactured by Stalprodukt S.A. are properly marked with an identification tag. The scope of information presented on the tags results from the requirements of the relevant standards on the basis of which the products are made, internal requirements and individual needs of recipients. The specified information allows for full product identification and traceability enabling the reconstruction of the production history, starting from the receipt of the input material, through production in progress, to sending the finished product to the customer. The labels used in Stalprodukt S.A. are additionally encoded with information in the form of a QR code. In addition, for individual customers, product marking is carried out in accordance with the requirements for transport labels made on the basis of the guidelines set out in the EN 1573 and EN 606 standards.

In the case of products in the form of cold-formed closed and open sections, permanent marking is applied after agreement with the ordering party in the form of embossing on the wall surface of each product piece, e.g. a sign, logo or an agreed letter-digit notation.

In addition, in accordance with Regulation (EU) No 305/2011 of the European Parliament and of the Council (EU) No. 305/2011, finished products manufactured in Stalprodukt S.A. in the form of road barrier systems that restrain the vehicle, made in accordance with EN 1317-5, seamed hollow sections made in accordance with EN 10219-1, open sections in accordance with EN 10025-1 and EN 10162 intended for steel structures and flat products made of structural steels in accordance with the EN 10025-1 standard in the form of sheets and strips cut lengthwise in coils are subject to CE marking. The CE marking is complemented by a declaration of performance (DoP).

In the scope of the Electrotechnical Sheets Segment, product markings, after being agreed with the recipients, are based on the marking of the types of electrotechnical sheets classified in the following standards: EN 10107:2014, IEC 60404-8-7:2017 or Commercial Catalogue. In addition, each product is labelled in accordance with applicable internal instructions and procedures. Detailed rules for labelling

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products in the production process are regulated by Procedure BJ/P-8.5.2-01 "Marking and identification of basic materials and products in the production process".

In 2022, in the Company, there were no cases of non-compliance related to improper labeling of products. No proceedings have been conducted in this area.

Bochnia, 27 April 2023

Łukasz Mentel
Member of the Board
Financial Director

Piotr Janeczek
Chairman of the Board
Chief Executive Officer